PRIME MINISTER OF SINT MAARTEN
Minister-President van Sint Maarten

To: Hon. Sarah A. Wescot-Williams
Member of Parliament
Parliament of Sint Maarten

Philipsburg, Tuesday, August 12, 2025

DIV: 25-016408/A

Subject: *Submission of Non-Confidential Version of the "Evaluation of Electricity and Potable Water Tariffs Sint Maarten" Report*

Dear Honorable Member of Parliament Wescot-Williams,

I refer to your correspondence of August 4, 2025, via e-mail correspondence, regarding the confidential report titled "Evaluation of Electricity and Potable Water Tariffs Sint Maarten" (April 30, 2025).

As you are aware, following your request, on August 6, 2025, I formally instructed the Bureau Telecommunication and Post Sint Maarten (BTP), in collaboration with relevant stakeholders, to prepare a redacted version of the report. This directive required the redacted version:

1. Exclude all proprietary financial data, personal information, and commercially sensitive details related to entities such as GEBE and SOL;

2. Retain all policy-relevant analyses, findings, and recommendations necessary to support informed parliamentary debate and decision-making; and

3. Be suitable for public disclosure and parliamentary discussion.

I am pleased to confirm that the Government has now received the non-confidential version of the report, dated August 7, 2025, which was received via e-mail on Tuesday, August 12, 2025, prepared in line with these requirements.

Accordingly, this letter also serves as the formal submission of the non-confidential version of the report to you and all Members of Parliament.

This ensures that Parliament and the public can engage meaningfully with the key findings and recommendations of the study while safeguarding the confidential business information of the companies involved.

Prime Minister / Minister-President
Government Administration Building
Soualuiga road 1, Sint Maarten
(E) pmcabinet@sintmaartengov.org

The Government remains committed to implementing evidence-based policy measures that strengthen Sint Maarten's energy security, improve affordability for our residents, and enhance the transparency and regulation of our essential utilities.

With highest regards,

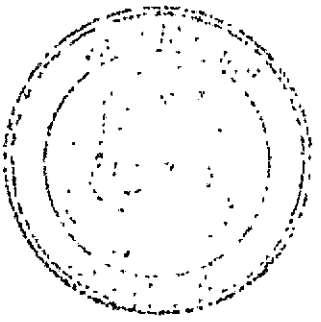
Dr. Luc F. E. Mercelina
Prime Minister Sint Maarten
Minister-President Sint Maarten

Prime Minister
Sint Maarten

AUG 12 2025

Prime Minister / Minister-President

Government Administration Building
Soualuiga road 1, Sint Maarten
(E) pmcabinet@sintmaartengov.org



PRIME MINISTER OF SINT MAARTEN
Minister-President van Sint Maarten

To: Managing Director, J. Hoeve
Bureau of Telecommunications and Post (BTP)
Cannegieter Street 15
Philipsburg, Sint Maarten

Philipsburg, August 6th, 2025

DIV: 25-016408

Subject: Request for Redacted Version of RAC/BTP Report on Electricity and Potable Water Tariffs

Dear Managing Director Ms. Hoeve,

As part of our continued commitment to good governance and transparency, I write to you regarding the confidential report titled **"Evaluation of Electricity and Potable Water Tariffs Sint Maarten,"** dated April 30, 2025, which was commissioned by the Government and prepared with contributions from the Regulatory Advice Committee (RAC) and BTP.

Pursuant to a formal request received from Member of Parliament Sarah A. Wescot-Williams, I hereby request that BTP, in collaboration with the relevant stakeholders, prepare a **redacted version** of the aforementioned report. This version should:

1. Exclude all proprietary financial data, personal information of individuals, commercially sensitive information, and any business-specific figures related to entities such as GEBE and SOL;
2. Retain all policy-relevant analyses, findings, and recommendations that are essential to informed parliamentary debate and decision-making;
3. Be suitable for public disclosure and parliamentary discussion.

The intent of this redacted report is to allow Parliament to engage in meaningful deliberation on the key findings and recommendations of the study, particularly as they relate to national policy on energy costs, utility regulation, and long-term sustainability—while safeguarding confidential business data.

Given the importance of this matter to both the public interest and the functioning of Parliament's oversight role, I kindly request that the redacted report be finalized and submitted to my office **no later than August 12, 2025**, so that the necessary procedural steps can be taken for its release to Parliament.

Prime Minister / Minister-President
Government Administration Building
Soualuiga road 1, Sint Maarten
(E) pmcabinet@sintmaartengov.org

I appreciate BTP's continued cooperation and professionalism in matters of national relevance, and I thank you in advance for your timely attention to this matter.

With highest regards,

Dr. Luc F. E. Mercelina
Prime Minister Sint Maarten
Minister-President Sint Maarten

Prime Minister / Minister-President
Government Administration Building
Soualuiga road 1, Sint Maarten
(E) pmcabinet@sintmaartengov.org

Sarah A. Wescot-Williams

Member of Parliament
Sint Maarten

To
The President of Parliament
Parliament Building
Sint Maarten

August 4, 2025

Dear President of Parliament,

Kindly see attached letter to the Prime Minister, Honorable Luc Mercelina regarding the RAC/BTP report commissioned by the government of Sint Maarten into the supply of electricity and water in Sint Maarten, which is self-explanatory. Kindly forward this letter to the Prime Minister for his urgent attention.

Kind regards,

Sarah A. Wescot-Williams, MP
Democratic Party Sint Maarten

Wilhelminastraat #1, Philipsburg, Sint Maarten

Tel: +1 (721) 542-0812 / +1 (721) 542-2929

Email: sarah.wescot-williams@sxmparliament.org | www.sxmparliament.org

Sarah A. Wescot-Williams

Member of Parliament
Sint Maarten

To
The Prime Minister of Sint Maarten,
Honorable Dr. Luc Mercelina
Government Administration Building
Philipsburg

Honorable Prime Minister Mercelina,

I write to you regarding the confidential report titled:

“Evaluation of Electricity and Potable Water Tariffs Sint Maarten” (April 30, 2025).

This report contains vital analyses and recommendations concerning our electricity and potable water tariff structures, including issues of regulation, consumer costs, and long-term energy planning. These findings are of critical importance to the people of Sint Maarten and to Parliament’s oversight responsibilities.

Currently, the confidential nature of the report prevents it from being fully and transparently debated in Parliament or shared with the wider public. The sensitive information, I would assume, relates to proprietary and financial information of the companies involved (notably GEBE and SOL).

I therefore respectfully request that the Government of Sint Maarten take the following steps:

Wilhelminastraat #1, Philipsburg, Sint Maarten

Tel: +1 (721) 542-0812 / +1 (721) 542-2929

Email: sarah.wescot-williams@sxmparliament.org | www.sxmparliament.org

1. Commission a redacted version of the report in which all confidential financial data, proprietary business details, and commercially sensitive figures are removed.
2. Ensure that the redacted version maintains all policy-relevant findings, analyses, and recommendations, so Parliament can engage in meaningful debate.
3. Formally lift the confidentiality of the redacted report so that it may be tabled for parliamentary discussion and, where appropriate, shared with the public.

This step would balance the need to protect sensitive business information with the imperative of parliamentary transparency and accountability in matters of national importance.

I trust that the government will appreciate the urgency of this matter, given its implications for consumer costs, energy security, and the regulatory framework of our essential utilities.

I look forward to your confirmation that a redacted, non-confidential version of the report will be prepared and submitted to Parliament at the earliest opportunity.

With highest regards,

Sarah A. Wescot-Williams,
Member of Parliament
Democratic Party

Government of Sint Maarten
The honorable Prime Minister, Mr. Luc Mercelina
Pond Island Great Bay, 1 Soualiga Road
Philipsburg, Sint Maarten

Subject: Submission of updated non-confidential version of the RAC-BTP report on electricity and potable water tariffs

Reference number: BTPSXMDIR-110825-027

Philipsburg, August 12, 2025

Honorable Prime Minister,

In accordance with your request dated August 6, 2025 (ref.: 25-016408) as the contracting and initiating authority for the RAC-BTP report on electricity and potable water tariffs, Bureau Telecommunication and Post (BTP) is pleased to submit the updated non-confidential version of this report.

This version has been carefully reviewed to ensure that confidential information relating to third parties is not disclosed. BTP emphasizes that protecting such information remains paramount and that confidential information of third parties will not be published, even when it appears within governmental reports or official documents.

While the *Landsverordening openbaarheid van bestuur* ("LOB") requires government bodies to provide certain information to the public upon request, Article 11, paragraphs 1 and 2 explicitly exempt from disclosure specific categories of information, including but not limited to *bedrijfs- en fabricagegegevens* confidentially submitted by natural or legal persons. Furthermore, under the governance principle of *zorgvuldigheidsbeginsel*, the government is duty-bound to exercise due care by refraining from publishing or otherwise disclosing such confidential information.

It is important to note that BTP provides the report exclusively to the Prime Minister's Cabinet and will not share it with any other person or entity. As the initiator and sole authorized party for this report, the Prime Minister alone may issue and distribute it.

We trust that this updated non-confidential version will assist your ongoing deliberations while fully respecting the relevant legal frameworks and governance principles safeguarding confidential third-party information.

Sincerely

Judianne Labega-Hoeve
Interim Director BTP

Regulatory Authority of Curaçao

Policy & Market Regulation

ENERGY

REPORT

Evaluation electricity and potable water tariffs Sint Maarten

NON-CONFIDENTIAL VERSION (per August 7, 2025)

April 30, 2025

REPORT

Evaluation electricity and potable water tariffs Sint Maarten

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Management summary

The government of Sint Maarten commissioned an evaluation of the validity and reliability of the electricity and water tariffs on Sint Maarten, and more specifically the monthly fluctuating fuel clauses embedded in these tariffs. The overarching objective was to determine whether the fuel clause could be reduced, thereby lowering the cost of energy and water for the community of Sint Maarten.

Regulatory oversight

The utility markets are monopolistic by nature and the current legal and regulatory framework on Sint Maarten allows an active regulation of these tariffs. In practice no effective regulation is executed, while the operators determine the tariffs at their sole discretion. It is therefore advised to include the regulation of (maximum) tariffs for fuels for electricity generation (currently LFO and HFO) in the existing regulatory procedure for price regulation of gasoline, diesel and LPG, at present executed by the Ministry of TEATT. With regard to the electricity and water tariffs it is advised to assign the regulation to an independent regulatory body, preferably BTP SXM, since BTP SXM is an existing organization already tasked with regulatory mandate over other sectors.

Fuels for electricity generation

Between 2022 and 2024 the development of procurement prices paid by GEBE to SOL for diesel fuels (LFO and HFO) aligned with international market prices. However, an increase in the other tariff components has been noted over these years. Concurrently, [redacted], resulting in an increasing operational and environmental risk and eventually a continuity risk for the energy provision on Sint Maarten. It is therefore essential that the government assumes a leading role towards the determination of the fuel prices to safeguard both the continuity of the fuel provision and the affordability thereof. This responsibility should not rest solely with GEBE.

Furthermore, it is recommended to task GEBE with the development of an optimization plan for the use of different fuels for electricity generation, since the price difference between the two types of fuels used, are material. Subsequently an 'Integrated Resource Plan' should be formulated, which outlines the evolution of the electricity production mix on the longer term, including a transition towards more renewable energy sources aligned with future electricity demand projections.

Electricity tariffs

The current formula for calculation of the monthly adjusted fuel clause as part of the electricity tariffs, is i) based on an imparity in tariff period and ii) includes the fuel costs for the provisioning of electricity to Seven Seas for the production of potable water. Furthermore, a fixed percentage for NRE is applied, while this should be a dynamic component within the formula. Therefore, the current formula cannot be validated and recommendations are provided to address these points of attention. Firstly, it is recommended to introduce a correction mechanism and adaptation of the formula in order to allocate the fuel costs indirectly related to water production to the water tariffs.

In order to enhance the reliability of the tariffs, it is required to adhere to the existing tariff procedure (which has not always been consistent) along with ensuring that GEBE's financial statements are audited by an independent accountant.

With regard to the electricity fuel clause, findings recorded a surplus on this clause for the years 2022-2024. In order to conclude whether the entire financial exploitation of GEBE has resulted in a surplus or deficit for these years, at least a high level cost coverage analysis needs to be executed regarding i) the fuel expenses in relation to the revenues from the electricity fuel clause, and ii) the other allocated operational and capital expenses in relation to the revenues from the electricity base rate. The information required to execute such analysis did not become available during this evaluation.

Subsequently, an evaluation of the base rates for electricity is recommended, preferably based on the budget 2025 (*ex ante*). It is recommended that thereafter an evaluation of the base rates is conducted annually by an independent body, on both 'ex ante' and 'ex post' basis.

Potable water tariffs

Similar to the recommendations provided for the electricity tariffs, it is recommended to execute a high-level cost coverage analysis regarding the years 2022-2024 and to execute an annual evaluation of the base rates.

Additionally, an integral revision of the water tariffs is recommended, since the fuel clause for water itself cannot be validated as it is based on fuel prices whilst electricity is used by the desalination plants for the production of water. Furthermore, the water fuel clause is only applied to commercial users (and not to domestic users) and there is at least a 400% discrepancy between tariffs for domestic and commercial users.

This signals a significantt lack of cost causality.

An integral revision of the potable water tariff structure is therefore warranted. Given the potential for substantial impacts on consumer bills, this revision must be approached with caution and preceded by a thorough impact analysis.

1 Introduction

On November 25, 2024, the government of Sint Maarten requested the Bureau Telecommunicatie en Post Sint Maarten (hereinafter: BTP SXM) to execute an evaluation of the 'fuel clause' as part of the tariffs for electricity and potable water on Sint Maarten. Following this request BTP SXM contacted the Regulatory Authority of Curaçao[1] (hereinafter: RAC) to assist in this evaluation, as RAC has been regulating these tariffs on Curaçao since 2010. This report contains the findings resulting from this evaluation.

1.1 Background and objective of evaluation

The community of Sint Maarten has been experiencing strong fluctuations in the electricity and water tariffs, while the reliability and continuity of the energy provision has been perceived as inadequate at times. This situation resulted in the need for more clarity and transparency regarding the tariffs.

Therefore the request of the government of Sint Maarten aims to verify the validity and reliability of the fuel clause, as well as to analyze whether the fuel clause can be decreased in order to decrease the energy and water costs for the community of Sint Maarten. Following a meeting with the Prime Minister on this matter, the scope of this request was broadened with a high level analysis of the other component of the electricity and water tariffs, being the 'base rate'.

BTP SXM and RAC can be regarded as each other's counterparts on Sint Maarten respectively Curaçao, whereby both regulatory authorities have been regulating the telecommunication and postal sectors within their respective jurisdictions for a number of years. The regulatory tasks of RAC, however, have diversified over the years with various other sectors, including the energy sector on Curaçao. The cooperation between both organizations therefore is self-evident, but also considering that Sint Maarten and Curaçao remain closely related as autonomous countries within the Dutch Kingdom. Based on the covenant between BTP SXM and RAC dated January 14, 2025, RAC has been assisting BTP SXM with the evaluation of the tariffs.

Chapter 2 of this report describes the methodology of the evaluation, followed by an overview of the relevant legal framework on Sint Maarten in chapter 3. In chapter 4 the production and distribution system is described, as well as the current tariff setting procedure and tariff structures for electricity and water. Chapter 5 contains both the evaluation of the fuel clauses as well as a high level evaluation of the base rates, being the two components of the tariffs. The conclusions and recommendations are provided in chapter 6.

[1] Formal name: Bureau Telecommunicatie en Post.

2 Methodology

This chapter briefly describes the scope and methodology of the tariff evaluation.

2.1 Scope of the evaluation

The tariffs for electricity and potable water mainly consist of two components: i) fuel clauses, and ii) base rates.

The fuel clause for electricity aims to cover the costs of fuel and lubricants used for the production of electricity, whereas the fuel clause for potable water aims to cover the electricity costs related to the production of potable water. The base rates aim to cover all other expenses for the production and distribution of electricity and water, as well as a reasonable rate of return.

The evaluation focuses on the fuel clauses as these components are adapted on a monthly basis. The base rates have been stable for a number of years. An in-depth analysis of the base rates requires a separate evaluation, but in this report the base rates will nevertheless be analyzed on a high level.

2.2 Sources and collection of data

The evaluation of the tariffs cannot be executed without the involvement and cooperation of the relevant stakeholders, which primarily include the Gemeenschappelijk Elektriciteitsbedrijf Bovenwindse Eilanden N.V. (hereinafter: GEBE), producer of electricity and distributor of electricity and potable water, and Air-Fin Holding St. Maarten N.V. (hereinafter: Seven Seas), producer of potable water. Furthermore several Ministries have been approached as well since the (non-)existence of certain policies and legislation are relevant in relation to this evaluation.

As part of the evaluation several meetings were held and written information requests have been issued by BTP SXM followed by responses of the relevant stakeholders, as specified below:

- Meeting between BTP SXM/RAC and Seven Seas on Sint Maarten on January 22, 2025;
- Meeting between BTP SXM/RAC and Prime Minister on Sint Maarten on January 23, 2025;
- Meeting between BTP SXM/RAC and GEBE (remote) on Sint Maarten on January 23, 2025;
- Information request to GEBE dated January 28, 2025, including concession, installed generation capacity, fuel purchase agreement, all relevant tariff information regarding 2022-2024 (tariffs and costs), annual accounts, budget and master plan;

- Information request to Ministry of TEATT and Ministry of Finance dated January 28, 2025, including energy policies and legislation, concessions/assignments, regulation of utilities, relevant taxes;
- Response of GEBE dated February 12, 2025, including part of the requested information such as electricity concession, Water Management Agreement between GEBE and the Country of Sint Maarten, example of fuel clause calculation for electricity (1 month), fuel clauses and revenues 2022-2024;
- Additional information request to GEBE dated February 24, 2025, including questions related to information provided and reminder missing information;
- Response of GEBE dated February 28, 2025, including overview installed capacity, fuel purchase specification and fuel prices 2022-2024;
- Response of Ministry of TEATT dated March 6, 2025, including explanation of current utility regulation (update received on March 14, 2025);
- Reminder of information request to GEBE and Ministry of Finance on March 10, 2025;
- Response of GEBE dated March 14, 2025, with the structure of the fuel prices of SOL Antilles N.V. and definitions of the price components (no quantitative breakdown);
- Response of Ministry of Finance dated March 17, 2025, with explanation of applicable taxes on distribution of fuel, potable water and electricity;
- Input from St. Maarten government received on April 1, 2025, with the Water Supply Agreement, including 5 amendments, between the Country of St. Maarten and Seven Seas (specifically: Air-Fin Holding Sint Maarten N.V. and Air-Fin Holding N.V.) dated June 27, 2007;
- Additional explanation of GEBE dated April 10, 2025, regarding difference between the calculation of the fuel clause electricity and the actual (lower) invoiced fuel clause (billing November 2023), as well as a response to several (verification) questions dated February 24, 2025;
- Meeting between BTP SXM/RAC and GEBE (remote) on April 11, 2025, discussing preliminary findings of BTP SXM/RAC and request for information necessary to finalize evaluation;
- Request to GEBE on April 11, 2025, of pending information following from the meeting held on the same day;
- Notification of GEBE dated April 14, 2025, regarding delay in information provisioning;
- Meeting between BTP SXM/RAC and SOL (remote) on April 25, 2025, regarding fuel prices for electricity generation.

The information provided by the various stakeholders, as specified above, are the relevant sources and contain the data used for the evaluation.

2.3 Methods of analysis

For this evaluation both desk research as well as quantitative and qualitative analyses have been performed. The desk research related to the relevant legislation, concession and agreements, while the quantitative and qualitative analyses are based on the information and data provided by the stakeholders.

2.4 Assumptions and limitations of evaluation

It is to be recognized that the tariffs for electricity and potable water are currently not actively regulated on Sint Maarten. Therefore stakeholders are not accustomed to a certain information reporting structure reason why the information requests posed to stakeholders required 'ad hoc' efforts on their side in order to follow up. It is emphasized that certain requested detailed information has not become available in a timely manner for this evaluation. This information remains relevant during the execution of the recommended next steps.

With regard to the evaluation of the base rate, it is to be noted that an in-depth analysis is required. Such analysis requires more comprehensive information regarding the historic costs and cost developments over a certain period of time, as well as the budgets and strategic plans of the company in order to safeguard continuity and enhance its services. GEBE indicated that such an evaluation has been initiated internally.

With regard to all (quantitative) data and information used for this evaluation, it is to be noted explicitly that these have not been audited by an accountant. In order to safeguard reliability of the tariffs, the data and information used to calculate the tariffs will need to be validated by an accountant.

3 Legal and regulatory framework

Given the fundamental and material socio-economic importance for communities with regard to the energy and water sectors as well as the monopolistic nature of these markets, these markets are generally regulated within the region and beyond.

This chapter describes an overview of the current legal and regulatory framework relating to the production and distribution of electricity and potable water, with a focus on the tariffs.

3.1 Electricity

The production and distribution of electricity is primarily regulated by the *Verordening electriciteitsconcessie* (hereinafter: Vec)[2]. Article 1 of the Vec states that the installation and use of systems for electricity generation and distribution is prohibited without a concession issued by the Minister of Public Housing, Spatial Planning, Environment and Infrastructure. Furthermore, the Vec basically stipulates the type of conditions that can be included in a concession as well as the responsibility of a concession holder to safeguard a good functioning electricity grid to which every user in Sint Maarten can be connected.

Such concession has been issued solely to GEBE on August 2, 2010 (and amended on May 9, 2014), for a period of 25 years. The concession grants GEBE the right to produce and distribute electricity, but also obligates GEBE to safeguard sufficient generation capacity in order to comply with the electricity demand on Sint Maarten. The concession also includes conditions related to proposals for a multiple-year planning and periodic reporting regarding the production and distribution of electricity. Furthermore a concession fee is to be paid on an annual basis for the issuance of the concession and the supervision of the Vec and concession by the Minister or an authority assigned by the Minister.

Article 12 paragraph 4 of the Vec stipulates that the tariffs for the connection to the grid and the provisioning of electricity by the concession holder to the users are determined by national decree (*Landsbesluit houdende algemene maatregelen*). The tariff determination is to be based on cost orientation in relation to the investments and operational activities of the concession holder in order to produce and distribute electricity. A deviation of this principle may be applied based on social considerations for specific categories of users.

The concession does not contain exact tariff regulations, other than a proposal by the concession holder to amend the structure of tariffs regarding the grid connection and electricity provisioning, which will have to be received by the Minister six (6) months prior to the proposed effective date.

In practice the (monthly amendments of the) electricity tariffs are not determined by means of a national decree, as stipulated in the Vec. Each month GEBE calculates the fuel clause and

[2] A.B. 2013, GT no. 147.

subsequently applies the amended fuel clause to the invoices of the users. These calculations are not verified by a Ministry nor any other assigned authority.

In 2014 a National Energy Policy was published, which includes requirements regarding regulation of the energy market through a regulatory body, the introduction of a regulatory framework with tariff determination by the regulator, initiation of an energy efficiency program, performance of further studies towards renewable energy, etc.

Following the National Energy Policy, BTP SXM has been mandated by the Minister of Tourism, Economic Affairs, Traffic and Telecommunication to *undertake preparations for the due establishment of its regulatory segment for the utilities sector*.

Furthermore, it is important to note that the tariffs for the distribution of fuels are only partially regulated. The tariffs for gasoline, diesel and LPG are regulated both for wholesale and retail distribution. The Ministry of TEATT determines the maximum tariffs for these products periodically based on the *Prijzenverordening*. Fuels for electricity generation and the aviation and maritime sectors are not regulated. This implies that the fuel prices for electricity generation are determined by means of an agreement between GEBE and SOL Antilles N.V. (hereinafter: SOL), being the sole importer of fuels on Sint Maarten.

Lastly, it has to be mentioned that the *Prijzenverordening* also provides a legal basis for the (preparation of) regulation of electricity tariffs since these tariffs evidently regard the general interest of the public.

3.2 Potable Water

Based on article 9 paragraph 1 of the *Landsverordening drinkwater* (hereinafter: LvoDW)[3] the production and distribution of potable water is prohibited without a concession of or agreement with the Minister of Public Health, Social Development and Labor. The LvoDW does, however, not explicitly regulate the technical, operational or economic aspects of production and distribution, but rather the quality of the potable water itself from a public health perspective.

On May 8, 1996, a so-called Water Management Agreement (hereinafter: WMA) was entered into between the Country of Sint Maarten and GEBE. In this WMA, GEBE is assigned to provide services in order to comply with the demand for potable water on Sint Maarten in conformity with quality conditions. These services are to be provided by means of employees of and/or personnel contracted by GEBE.

The WMA also contains extensive conditions regarding the tariffs for potable water and amendments thereof. Basically, the conditions stipulate that tariffs can only be amended based on a proposal to and subsequent approval of the Minister in the event that the costs are higher than the revenues and the financial reserves are insufficient to cover the costs.

[3] A.B. 2013, GT no. 803.

In practice, a fuel clause for potable water is applied for specific tariff groups which is amended each month by GEBE in a comparable manner as the fuel clause for electricity. These amended tariffs are applied to the invoices of the users. These calculations are neither verified by a Ministry nor any other assigned authority.

On June 27, 2007, the Country of Sint Maarten entered into a Water Supply Agreement (hereinafter: WSA) with Seven Seas[4] for the production and exclusive supply of potable water to the Country of Sint Maarten, [redacted]. The WSA has been amended by means of five written amendments. In the Fifth Amendment Agreement the term of the Water Supply Agreement has been extended again to February 13, 2027, which is the current end date.

Based on the WSA, Seven Seas became the owner of the existing water production plants on Sint Maarten in 2008 and constructed new plants in the period thereafter. All plants are based on *reverse osmosis* systems, whereby seawater and/or brackish water is desalinated and processed into potable water.

Although the Country of Sint Maarten is the formal contracting party to the WSA, the actual execution by and responsibilities of the Country of Sint Maarten are assigned to GEBE.

Concerning the tariffs for potable water, it is to be noted that in this case as well, the *Prijzenverordening* provides a legal basis for the (preparation of) regulation of water tariffs since these tariffs evidently regard the general interest of the public, similar to electricity.

[4] Formal contracting parties are Air-Fin Holding Sint Maarten N.V. [redacted].

4 Current tariffs on Sint Maarten

4.1 Production and distribution of electricity and potable water

The chain for the provisioning of electricity and potable water consists of a few main stakeholders, which all effectively operate as monopolies within their respective (sub)markets.

As previously stated, SOL is the importer and distributor of fossil fuels on Sint Maarten, including fuels for electricity generation, being Light Fuel Oil (hereinafter: LFO) and Heavy Fuel Oil (hereinafter: HFO). GEBE purchases fuels from SOL for its production and distribution of electricity to the public and Seven Seas. Seven Seas produces potable water and sells this to GEBE on behalf of the Country of Sint Maarten, after which GEBE is responsible for the storage and distribution of potable water to the public.

This energy and water chain can be presented schematically as follows:

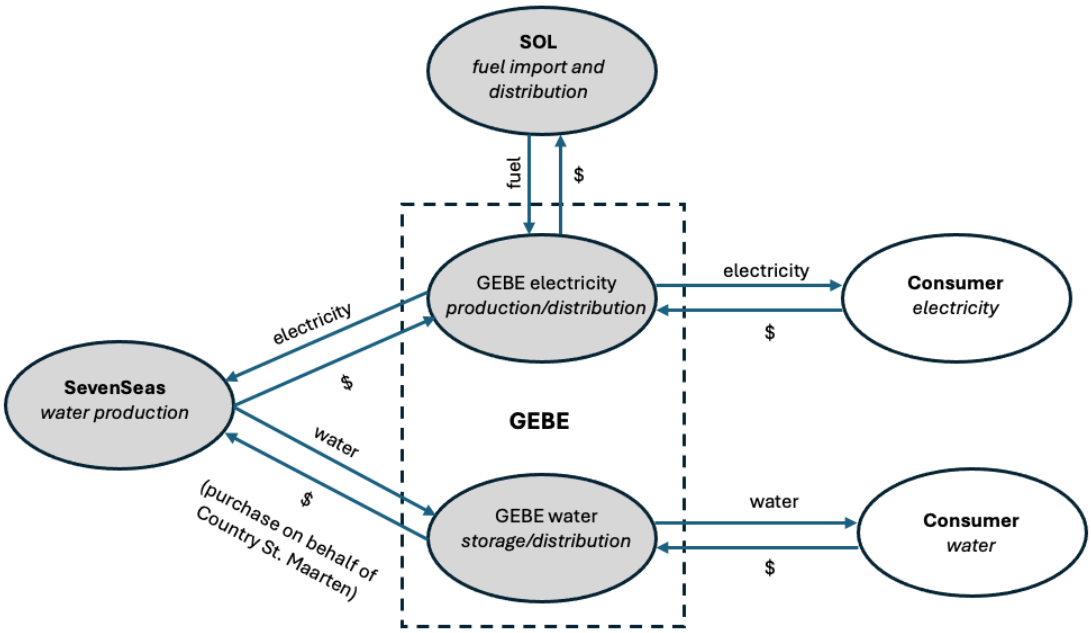

Figure 1: energy and water chain on Sint Maarten

Electricity

GEBE has been granted a concession by the government of Sint Maarten for the overall exploitation of electricity provisioning. This includes the construction and installation of the facilities for the generation of electricity, as well as the distribution hereof. GEBE remains responsible for the maintenance and operation of a properly functioning distribution network in order to be able to supply electricity to its end users. GEBE is therefore required to supply electricity to anyone who requests this, and should facilitate the connection to its distribution network.

GEBE's power station is located in Cay Bay and has a nameplate capacity of approximately 85,8 MW, consisting mainly of generators that operate on fossil fuels, being either LFO and/or HFO. The total operational capacity is at 73,3 MW, which is 85% of the nameplate capacity. GEBE's installed capacity is equivalent to 20 generator sets/installations of which about half of these installations are non-operational or retired. This creates for a fragile situation where available installations are sometimes unable to meet the energy demand of the Country and also require the necessary maintenance.

The current peak load is around 60 MW, which is an increase of 20%, compared to the peak load of 50 MW in 2014. In addition to its own capacity, GEBE has also augmented its power generation capacity in 2024 by integrating temporary generators onto the grid. Taking the temporary power solutions in consideration, GEBE's total capacity reaches between 80 to 90 MW.

Potable water
Based on the WMA the Country of Sint Maarten has assigned the responsibility for the provisioning of potable water to GEBE in 1996. However, the responsibility for production of water has been assigned to Seven Seas based on the WSA, effective since 2008.

This means that Seven Seas is the owner and operator of all water desalination plants during the term of the WSA. After the term of the WSA the ownership of the plants shall be transferred back to the Country of Sint Maarten. The peak supply design for all plants combined is 23,900 m3 per day. The management personnel of the desalination plants is provided by and for the account of Seven Seas, while the operational personnel is provided by and for the account of GEBE.

GEBE remains responsible for the storage and distribution of potable water to the public on Sint Maarten. This means that GEBE is the owner and operator of the storage tanks as well as the water infrastructure on Sint Maarten.

4.2 Tariff setting procedure

As indicated in chapter 3, the current procedure to amend electricity and potable water tariffs on a monthly basis is executed solely by GEBE.

Both the electricity and water tariffs consist of various tariffs components, which should cover i) the fuel costs (hereinafter: fuel clause) and ii) all other operational and capital expenses (hereinafter: base rates) related to the production and distribution of electricity and water. The specific current tariff structures for electricity and water are explained in more detail in paragraphs 4.3 respectively 4.4.

The base rates have been determined in the past and remained unchanged for a longer period of time. There is no clear procedure in place in order to implement a change of the base rates. It is assumed that changes of the base rate are prepared and proposed by GEBE to the government on an ad hoc basis.

The fuel clauses, however, are in principle amended each month. Although this procedure has not been determined in writing, it is understood that GEBE determines on a monthly basis the cost of fuels used for the total production of electricity in the previous month. These costs are the basis for the calculation of the fuel clauses which are then applied to the tariffs and invoices of the current month. This procedure implies an imparity of periods used in the calculation. This is not inherently problematic, but any differences (surplus or deficit) that result from such imparity should be calculated and corrected at a certain point in time. However, such correction mechanism is currently not part of the procedure.

It is also noted that the result of the electricity fuel clause calculation of GEBE is not always applied to the actual invoices. Since information for the fuel clause calculation of electricity was only obtained over the month of September 2023, this could not be determined for other months. Nevertheless, the calculated fuel clause based on the fuel costs in September 2023, deviated from the actual fuel clause used on the invoices to the consumers in October 2023 (the fuel clause used on the invoices was actually lower than the calculated fuel clause). There is no clear procedure defined when, how and why these deviations are applied.

Furthermore, it can be noted that no independent third party is overseeing and/or supervising the current procedure. The calculations are executed by GEBE and subsequently invoiced to the consumer. It is currently even difficult or impossible to publicly find an overview of the current tariffs for electricity and potable water.

In order to enhance trust and transparency regarding the procedure, at least a certain form of independent oversight and supervision is strongly advisable. It is recommended that responsibility for tariff calculation be assigned to an independent body rather than the operator, subject to the availability of sufficient institutional capacity and appropriate regulatory mandates. In the long term, this approach may also enhance transparency in the procedures and calculations, as both the operator and the independent body would be positioned to independently communicate relevant information and justifications to the public.

As the prices for fuels used for electricity generation are the basis of the fuel costs, it is also strongly advisable to regulate the prices for LFO and HFO. The current procedure is based on an [redacted] agreement between GEBE and SOL. SOL uses market prices for the monthly tariff fluctuations, but neither these market prices nor the (composition of the) other fuel price components are verified by an independent body. It is strongly advisable to implement a certain form of independent oversight and supervision regarding the fuel prices for LFO and HFO. This could be done by following a similar procedure used for the monthly price adjustments for gasoline and diesel (transportation) as well as Liquefied Petrol Gas (LPG), which is executed by the Ministry of TEATT.

The main objectives for the recommended regulation is to safeguard availability and accessibility of these fuel products as well as to safeguard the affordability hereof.

4.3 Tariff structure and tariffs electricity

The tariff structure for electricity comprises of three main components:

1. Fixed service charge;
2. Base rate;
3. Fuel clause.

All of these components will now be addressed separately.

Fixed service charge
A fixed fee of XCG 29 is charged to every electricity consumer, which is a set price for the connection to the utility grid. This monthly charge applies to all consumers, irrespective of their electricity usage.

Base rate
The base rate represents a part of the electricity tariffs and is currently set at XCG 0.25 per kWh. The base rate is intended to cover all expenses that are non-fuel related. It is assumed that GEBE calculates the base rate and proposes this to the Government of Sint Maarten for approval on an ad hoc basis.

Fuel clause
The fuel clause represents the fuel portion as part of the electricity tariffs that fluctuates on a monthly basis due to the fluctuation of the international market prices for LFO and HFO. The fuel clause also differs due to changes in the production mix and sales. GEBE calculates the fuel clause on a monthly basis by aggregating all fuel-related expenses, including lubricants, and dividing the total by net electricity sales (excluding sales to Seven Seas, own usage and non-revenue).

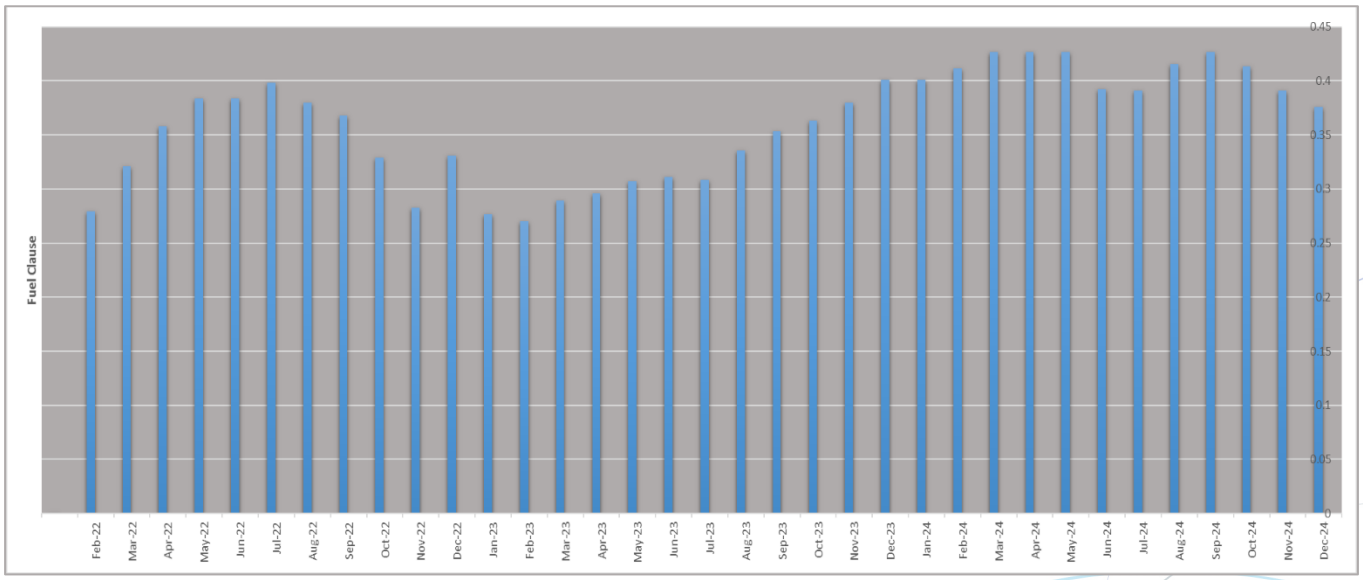

Figure 2: electricity fuel clause development

The graph above depicts the development of the fuel clause for electricity from February 2022 throughout December 2024. The average fuel clause over 2022, 2023 and 2024 was NAf 0.346789, NAf 0.324259 and NAf 0.408081 respectively. While a minor decrease is visible in 2023, the average fuel clause is at its highest throughout 2024.

Rate categories
GEBE classifies its consumers into three categories: domestic, commercial and industrial clients. These different categories result in differentiated tariff groups. The domestic consumers have two tariff groups, the commercial clients have three tariff groups, and the industrial clients have a total of five tariff groups. The three categories are subject to the same tariff structure, which includes a fixed service charge, a base rate and a variable fuel clause.

4.4 Tariff structure and tariffs water

The tariff structure for potable water also exists of various tariff groups and tariff components, as demonstrated in the overview below (in XCG).

WATER TARIFFS					
			CONSUMPTION		
group	**tariff no.**	**fixed charge**	**first 3 M3**	**4-7 M3**	**>7 M3**
Domestic	51	15,00	2,500000	5,500000	6,00
			>0 M3	**fuel charge**	
Commercial	52	50,00	8,000000	varies	
GEBE own consumption	52B	50,00	8,000000	varies	
negotiated contracts	53	50,00	8,000000	varies	
	53C	50,00	5,429000	0,000000	
	54	50,00	5,429000	0,000000	
	55	50,00	6,764000	varies	
	56	50,00	6,230000	varies	
	60	50,00	5,429000	varies	
	60A	50,00	5,429000	3,120000	

Figure 3: tariff structure potable water

The 'fixed charge' is a tariff component that is charged to all consumers on a monthly basis. The fixed charge for domestic consumers is substantially lower than the fixed charge for all other (commercial) consumers.

All other tariff components are based on the usage of potable water (per m3). Notable is that the so-called 'fuel charge' only applies to commercial customers, GEBE's own consumption and several negotiated contracts. The 'fuel charge' does not apply to domestic consumers. The consumption tariffs for domestic users, which are fixed and are not amended on a regular basis, is based on three tariff brackets. This means that in the event the consumption of potable water exceeds a certain bracket, the tariff per m3 increases, accordingly.

For all consumers other than domestic consumers, a 'fuel charge' applies, which is amended on a monthly basis by GEBE. During the year 2024 this monthly fuel charge fluctuated between NAf 14.35 and NAf 16.88 per m3. In addition to this 'fuel charge' a second tariff component

per m3 applies. This is a fixed tariff and amounts to NAf 8 per m3 for most commercial/other consumers (with the exception of certain negotiated contracts).

The 'fuel charge' is intended to cover fuel costs incurred in the production of potable water. It should be noted, however, that reverse osmosis plants use electricity for the production of potable water. Gebe uses fuel to produce and supply electricity to Seven Seas, which in turn uses it for the production of potable water (see also the overview in paragraph 4.1). Consequently, the electricity costs for the production of potable water will vary each month as both monthly production volumes and electricity tariffs will vary from month to month. This raises important questions regarding which specific costs are actually to be covered by the current 'fuel charge' (please also refer to paragraph 5.3) and why this charge is not uniformly applied to all consumer categories, including domestic consumers.

It is also noteworthy that the tariff levels for domestic consumers are at least 400% lower than those applied to most other (commercial) consumers, highlighting a substantial disparity in pricing.

No clear explanation has been provided regarding the (historical) rationale of cost allocation underlying the current tariff structure or which costs are allocated to the various tariff components. In order to enhance cost causality and transparency in the current tariff structure, it is recommended to i) introduce a monthly adaptable tariff component (by replacing the current 'fuel charge') for all tariff groups that represents the monthly fluctuating electricity costs for the production of potable water, and subsequently ii) reconsider the extent to which cross subsidization occurs between the domestic consumers by the commercial consumers.

5 Fuel clause and base rate analysis

This chapter addresses the fuel prices used for electricity generation in Sint Maarten and examines their impact on the fuel clause embedded in the electricity and water tariff structure. The fuel clause serves as a mechanism through which fluctuations in fuel prices can be passed on to end-users. Additionally, this chapter outlines the calculation method of the fuel clause for electricity and water currently applied in Sint Maarten. Attention is given as well to the underlying cost structure and the relevant mechanism frameworks.

The objective is to provide insight into the relationship between fuel costs, tariff composition, and to support greater transparency in setting the tariffs.

5.1 Fuel purchases

Sint Maarten's significant reliance on fossil fuels, particularly diesel, for electricity generation renders its national energy and water supply highly vulnerable to fluctuations in international fuel markets. Consequently, rising oil and diesel prices have a direct impact on the production costs for electricity and water, resulting in increased tariffs for end users. The following section provides a detailed analysis of fuel price developments in Sint Maarten and their correlation with international market rates.

5.1.1. Fuel tariff Sint Maarten

In the current framework, the diesel fuels required for electricity generation, specifically LFO and HFO are purchased by GEBE from SOL, the company responsible for the import and distribution of fuels within Sint Maarten. The purchase price paid by GEBE is based on an international benchmark [redacted]. This [redacted] is an index that is used by SOL's supplier for fuels that are distributed within the Caribbean region and serves as the base reference upon which various pricing components are added. In total, the final fuel price consists of eleven distinct elements, as shown in Table 1. This multi-layered pricing structure has a direct impact on the cost of electricity generation and, consequently, plays a critical role in determining the energy tariffs for end-users in Sint Maarten.

The table below outlines the tariff structure for LFO and HFO, as established in accordance with the prevailing pricing methodology and procurement arrangements. The final prices are inherently dependent on international market developments and may fluctuate accordingly. A detailed explanation of the individual components of the fuel price structure is provided in Appendix 1.

Fuel price structure - Sol Antilles N.V.	
1	[redacted]
2	Premium surcharge
3	Insurance
4	Freight
5	Procurement
6	Inspection
7	Loss Allowance
8	CIF
9	Remittance Tax
10	Port Throughput Fee
11	Marketing Differential

Table 1: fuel price structure – SOL to GEBE

It is emphasized that fuels required for electricity generation are exempt from the 5% Turnover Tax. Consequently, the composition of the fuel prices for both LFO and HFO do not contain Turnover Tax components.

The following paragraph provides a detailed assessment of the fuel prices applicable to electricity generation in the context of the commercial relationship between SOL and GEBE, including a comparative analysis against relevant international benchmark prices.

5.1.2. Fuel price comparison

In order to gain insight into the price fluctuations of LFO and HFO, a comparative analysis was conducted using relevant international market price benchmarks. Based on the available data, the procurement prices were assessed against corresponding Platts price quotations. Platts is a provider of information for energy and commodities and is well-known for publishing benchmark price assessments. As previously noted, Sint Maarten determines its imported fuel prices based on the [redacted] benchmark. Since this pricing reference is not publicly accessible, alternative Platts quotations were utilized that closely align with the commodities used in Sint Maarten.

For LFO, the analysis relied on Platts articles covering Ultra-Low Sulfur Diesel (ULSD) USGC waterborne) and Gasoil (MGO) No. 2 USGC waterborne. These benchmarks offer a representative view of international market trends for light fuel oil and allow for an informed comparison of the LFO prices as procured by GEBE against global price movements. For HFO, the comparison was made using the Platts quotation Fuel Oil USGC HSFO waterborne, which serves as a standard reference for high-sulfur fuel oil. By aligning these international benchmarks with local purchase prices, an indicative perspective is obtained regarding the market conformity of the prices paid by GEBE. Although direct access to the [redacted] benchmark is not available, this approach provides a valid methodology for analyzing pricing developments within the fuel supply chain.

LFO price development: Platts vs. SOL
The figure below illustrates international Platts quotations, represented by the dark blue and light blue lines. The dark blue line corresponds to the ULSD quotation, while the light blue line

represents the MGO quotation, both covering the period from 1 January 2022 to 31 December 2024.

Figure 4: LFO price development – Platts vs. GEBE purchases from SOL 2022-2024

The orange line in the figure reflects the LFO purchase prices paid by GEBE over the observed period. It is evident that the GEBE procurement prices consistently exceed the international Platts quotations. This difference is to be expected, as the GEBE purchase prices also include components such as premiums, storage costs, transportation and distribution charges, and other logistical surcharges.

Furthermore, the graph indicates that GEBE increased its frequency of LFO purchases in 2024, potentially a strategic operational shift in fuel procurement. The preceding years display only occasional data points are visible, which if interpreted correctly, represent individual purchase events.

It can be concluded that the GEBE LFO procurement prices closely follow fluctuations in international fuel markets.

HFO price development: Platts vs. SOL

As previously noted, the procurement prices of HFO for GEBE are benchmarked against international Platts quotations for Marine Fuel Oil. The graph below presents a comparative overview of the respective price developments over the period 2022-2024.

Figure 5: HFO price development – Platts vs. GEBE purchases from SOL 2022-2024

The figure clearly demonstrates a significant correlation between international Platts quotations, and the procurement prices paid by GEBE for HFO. As previously explained, the difference between the two lines is due to the composition of the price components. Platts reflects only international trading prices, while GEBE's [redacted] procurement prices include additional cost components such as freight and insurance.

Based on this analysis, it can be concluded that the GEBE purchase prices fluctuate largely in line with international fuel market movements.

Net commercial rate variance between GEBE and SOL, referenced against Platts
To support the interpretation of Figures 4 and 5, the table below presents the corresponding differences in monetary value. This quantification provides insight into the financial impact of the observed price variations.

To gain a comprehensive understanding of the discrepancies between international Platts prices and the fuel procurement prices paid by GEBE, an annual comparison was conducted. For each year, the average procurement price paid by GEBE was calculated alongside the corresponding annual average of the relevant Platts quotations. The difference between these two averages was then determined in order to quantify the yearly deviation in monetary terms.

Average annual differences (in USD per liter):			
Net commercial rate variance between GEBE and SOL, referenced against international Platts benchmarks:			
LFO compared to Platts quotations:		**HFO compared to Platts quotations:**	
2022	[redacted]	**2022**	[redacted]
2023	[redacted]	**2023**	[redacted]
2024	[redacted]	**2024**	[redacted]

Table 2: average annual differences in USD per liter

The results of this comparison are presented in Table 2, which outlines the annual differences between market based benchmark prices and the actual procurement prices. For LFO, the deviation in 2022 amounted to approximately [redacted] per unit, increasing to [redacted] in both 2023 and 2024.

For HFO, the annual deviations amounted to [redacted], [redacted], and [redacted] in 2022, 2023 and 2024, respectively. This means certain tariff components other than the market prices have increased over the years.

[redacted], leading to operational risks (e.g. in terms of strategic stock) as well as environmental risks and eventually continuity risks for the energy provision as a whole.

It is strongly advised to introduce oversight and price regulation of these fuel products based on the *Prijzenverordening*, similar to gasoline, diesel and LPG. The government, eventually preferably by means of an independent body, needs to take a leading role towards the determination of the fuel prices in order to ensure continuity of the fuel provision as well as affordability thereof. This responsibility should not solely remain with GEBE.

5.1.3. Trends in fuel oil deliveries and costs

Between 2022 and 2024, SOL supplied LFO and HFO to GEBE on a regular basis. This section provides an overview of the volumes supplied during this period, the total annual costs incurred, and the average annual delivery price. The data offers insight into procurement trends and cost developments over the three-year period.

The table below provides an overview of the fuel oil volumes delivered, the corresponding total cost incurred, and the average price charged by SOL to GEBE over the period 2022 trough 2024.

Fuel oil deliveries *(in and liters and USD)*										
	LFO			**HFO**			**Total**			
Year	**Ltr**	**USD**	**Average price**	**Ltr**	**USD**	**Average price**	**Ltr**	**USD**	**LFO**	**HFO**
2022	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2023	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2024	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Table 3: fuel oil deliveries - SOL to GEBE

An analysis of the available data for the period 2022 through 2024 reveals a clear shift in the ratio of fuel types delivered by SOL to GEBE, specifically transistioning from HFO to LFO. This change in delivery proportions suggests a structural adjustment in the fuel supply strategy. [redacted] This gradual shift indicates an increased reliance on LFO relative to HFO in the deliveries to GEBE. This

development may reflect a modification in operations but also results in increased total fuel procurement costs leading to increased electricity and water tariffs.

From both a theoretical and technical perspective, LFO and HFO possess distinct combustion characteristics and cost implications. LFO typically exhibits a relatively higher combustion rate and is generally more expensive to procure per unit of volume. However, a key advantage of LFO lies in its cleaner combustion process, which results in reduced residue formation and lower wear and tear on machinery. This potentially can lead to decreased maintenance and operational costs over the medium to long term. HFO, on the other hand, is typically less expensive to purchase and burns at a slower rate. However, due to its heavier composition, it tends to produce more contaminants during combustion, leading to increased fouling of combustion systems. This can contribute to higher maintenance costs.

A significant trend in the fuel market is the marked reduction in the average annual price differential between Light Fuel Oil (LFO) and Heavy Fuel Oil (HFO) over the 2022–2024 period. In 2022, this differential stood at approximately [redacted] per unit, decreasing marginally to [redacted] in 2023 and further to [redacted] in 2024. Consequently, the price gap in 2024 was reduced by nearly 50% relative to the 2022 level.

This trend potentially has two key implications for electricity generation. First, the narrowing price gap lowers the financial barrier to transitioning from HFO to LFO, which may be appealing given the reduced maintenance costs. Second, this downward trend may support a more cost-efficient shift toward cleaner fuels. It is advisable to have GEBE develop and present an optimization plan for the use of different fuels for electricity generation, from both an operational and economic perspective.

It is further recommended that GEBE develops an Integrated Resource Plan (IRP), which outlines the electricity production mix on the longer term, including a transition towards more renewable energy sources while taking into consideration the expected electricity demand. The IRP should be aligned with the National Energy Policy.

5.2 Cost and revenue analysis fuel clause electricity

This paragraph outlines the methodology used to calculate the monthly fuel clause in the Sint Maarten electricity sector. This calculation method is essential for ensuring a transparent and accurate pass-through of fuel-related costs to end-users. It also constitutes an integral part of the overall tariff structure within the sector.

In addition, a thorough analysis is conducted on the annual revenues, costs, and financial outcomes associated with the application of the fuel clause. Based on this analysis, observations are formulated, and recommendations are made to improve the methodology.

Methodology for determining the monthly fuel clause
The methodology used by GEBE for determining the monthly fuel clause is based on the actual operational and financial data from the preceding month.

To support the analysis and provide a consistent theoretical framework, a time-based structure is applied using the notation N-1 and N. In this context, month N refers to the month

in which the fuel clause is applicable, while month N-1 corresponds to the month from which actual data is used for the calculation of the fuel clause.

For illustration purposes: if GEBE intends to determine the fuel clause for the month of February (month N), the calculation is based on the actual figures from the month of January (month N-1). An example of this approach can be found in figure 6, which presents the mechanism of the monthly calculation based on the N-1/N methodology.

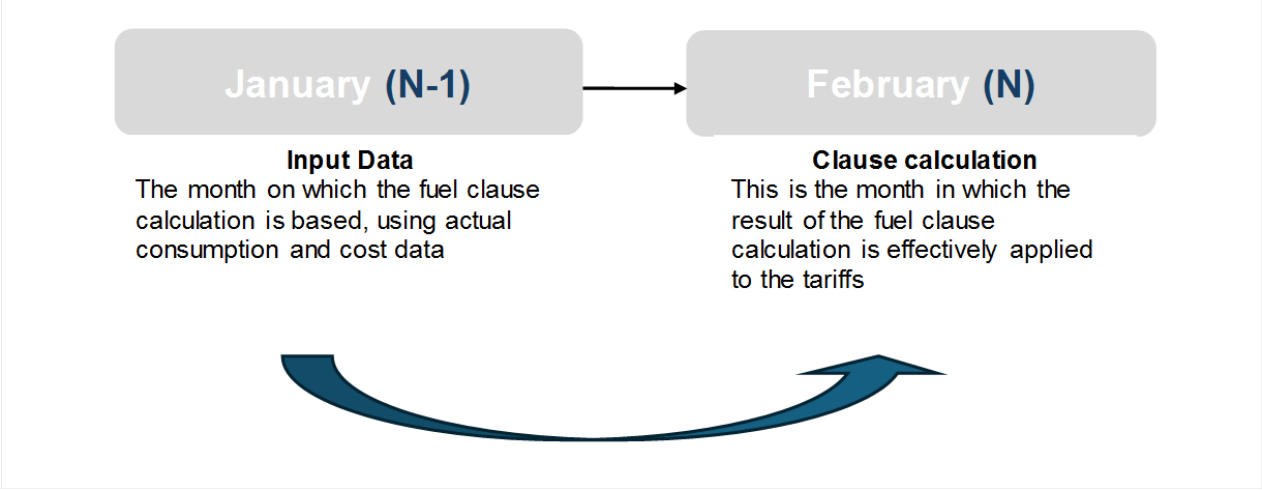

Figure 6: illustration of the N-1 / N mechanism for electricity fuel clause calculation

In accordance with the methodology and the associated N-1/N mechanism described above, the monthly fuel clause applicable in Sint Maarten is determined. Each month, GEBE purchases LFO and HFO from SOL., which are used in diesel power plants to generate electricity. The associated fuel procurement costs represent the largest expense in determining the fuel clause. In addition to fuel costs, the monthly costs of lubricating oils which are essential for maintaining plant operations are also included in the calculation, as they have a direct impact on the total cost structure.

The total electricity generated (in kWh) during month N-1 is recorded, as well as the own consumption by GEBE. Furthermore, actual electricity sales during month N-1 are documented, including energy supplied to the water production facility Seven Seas, which consumes electricity for the production of potable water. This provides a clear overview of the net electricity output by GEBE in month N-1, as well as the allocation of that output across various end-users.

Additionally, the calculation takes into account a Non-Revenue Electricity (hereinafter: NRE) rate of 8.5%[5] on the kWh exported from the power plants. Based on these inputs, the total cost of consumed fuel and lubricating oil is aggregated. This total cost is then divided by the net amount of electricity delivered during month N-1.

The formula used by GEBE to calculate the fuel clause for electricity is demonstrated below.

[5] The origin or basis of the 8.5% Non-Revenue Electricity (NRE) rate is not explicitly documented. It is unclear whether this percentage is derived from technical assessments, historical data, regulatory guidelines, or any other source.

FUEL CLAUSE ELECTRICITY IS MADE UP FROM THE FOLLOWING COMPONENTS:

Total KWH produced	**A**
Own consumption power plant	**B**
Fuel clause portion Seven Seas	**C**
8.5% fixed rate net loss	**D**
Net Sales	**E**
The sum of the following:	
HFO fuel price (per SOL/Market)	
LFO fuel price (per SOL/Market)	
LFO lube oils	
HFO lube oils	
Total fuel purchases	**F**

Fuel clause calculation:

A-(B+C+D) = E

F/E = fuel clause

Equation 1: electricity fuel clause formula

Under the current formula, the electricity supplied by GEBE to Seven Seas (measured in kWh) is deducted from the total electricity production, prior to dividing the total fuel costs by the total electricity sales. As a result, the fuel costs realized for the electricity provided to Seven Seas are effectively borne by the electricity consumers. This approach is not in line with the principle of cost causality, since those costs should only be allocated to the water tariffs.

Analysis of monthly fuel clause: revenues, costs, and results

A comprehensive analysis of the actual determination of the monthly fuel clause is currently constrained by the absence of certain key information. This missing data is essential to establish a complete and coherent understanding of all relevant elements. Nevertheless, based on the information presently available, a preliminary assessment was conducted aimed at outlining the monthly fuel clause revenues and costs.

The objective of this analysis is to evaluate whether the realized revenues from the fuel clause are sufficient to cover the associated monthly fuel costs. The figure below presents the monthly fuel clause revenues and costs for the period from March 2022 through December 2024. It also includes a depiction of monthly surpluses and deficits, thereby providing insight

into the extent to which the fuel clause has effectively fulfilled its intended compensatory function.

Figure 7: fuel clause revenue and cost overview

The analysis is based on data covering the period from March 2022 through December 2024. The months of January and February 2022 have been deliberately excluded from the scope of this analysis due to billing and financial corrections. As illustrated in the figure, the blue bars represent the monthly revenues, and the yellow bars represent the costs. The difference is depicted by the light purple line in the figure.

The figure further illustrates the development of monthly surpluses and deficits related to the fuel clause over the entire analysis period through December 2024. The red line in the figure represents the break-even level, which in principle serves as a reference point for a balanced fuel clause mechanism, an ideal scenario in which monthly surpluses and deficits fluctuate around this line.

Annual overview of surpluses and deficits

To obtain an indicative view at an aggregated level, the table below presents an overview of the annual surpluses and deficits for the period from March 2022 through December 2024. This overview provides insight into the cumulative results of the fuel clause per calendar year within the defined analysis period.

Fuel clause revenue vs. fuel cost: surplus/deficit 2022-2024 *in USD*			
	Total fuel clause revenue	**Total fuel cost**	**Net result**
Year			
2022 (Mar-Dec)			
2023 (Jan-Dec)			
2024 (Jan-Dec)			
Total			

Table 4: fuel clause revenue vs. fuel cost – surplus/deficit 2022-2024

For the period from March 2022 through December 2022, a surplus of approximately has been recorded. For the calendar year 2023, the available data indicates a deficit of

approximately [redacted]. In contrast, a surplus of around [redacted] was achieved in 2024. Combined, this results in a total surplus of approximately [redacted] over the full analysis period from March 2022 through December 2024.

Observations and recommendations following the preliminary analysis
Based on the analysis conducted using the currently available data, several points have emerged that may warrant further attention and potential improvement. These findings are derived from the (limited) information received.

It appears that the methodology applied by GEBE for determining the monthly fuel clause rate does not incorporate a correction mechanism to reconcile actual results. Since the fuel clause is calculated using realized data from month N-1, this does not guarantee that the determined rate, which is applied in the month N, will adequately cover the fuel costs incurred in month N-1. As a result, a structural monthly surplus or deficit is inevitable.

These deviations are attributable to one main factor, being that the volume of electricity sold (or dispatched) in month N is likely to differ from that in month N-1. This inherently leads to a mismatch between the revenues generated via the fuel clause in the month N and the actual fuel costs of the month N-1.

To ensure the long-term cost-reflectiveness of the fuel clause without generating persistent surpluses or deficits it is recommended to introduce a correction factor into the methodology. This factor could be applied on a periodic basis to adjust for previously observed deviations, with the objective of keeping the cumulative balance of the fuel clause as close as possible to the break-even line.

Additionally, it is observed that in the calculation of the electricity fuel clause, the electricity provision to Seven Seas is deducted from the total electricity production (component C in the formula). In our view, this volume should be part of the net sales of electricity (component E in the formula), in order to prevent that the electricity expenses for the production of water are covered by the fuel clause of electricity.

An additional point of attention concerns the fixed NRE percentage of 8.5% used in the calculation of the fuel clause. It is recommended that this percentage be calculated and applied in the formula on a monthly basis, as further described in paragraph 5.4.

The aforementioned recommendations can be implemented in the short term, by amending the current formula. In the longer term it is advised to calculate the fuel clause based on a forecast for the month N+1, particularly in the event the production mix becomes more diversified (e.g. through integration of renewable energy sources). This approach would require fuel prices for LFO and HFO to be determined for the month N+1 as well, as recommended in paragraph 5.1. This new methodology will allow for monthly corrections between forecasted and actual figures.

5.3 Cost and revenue analysis fuel clause potable water

The revenues resulting from the sales of potable water and the tariffs, mentioned in paragraph 4.3, are demonstrated in the graph below.

Figure 8: annual revenues water vs. consumption

Table 5: annual water consumption 2022-2024

The bar graph provides an overview of the revenues generated from the i) fuel clause (only applicable for commercial consumers), and ii) the base rates. The data indicates a stable correlation between the revenues generated by the water tariffs and the volume of water consumption in m3. The figures for the year 2022 are only taken from May 2022 through December 2022 since the consumption figures showed irregular figures for the first 4 months of the year. Table 5 depicts that on a monthly basis approximately [redacted] m3 water is consumed. There is a slight increase in consumption over the 3 years, which is parallel to the slight increase in revenues.

No information has been provided regarding the costs that are to be allocated to the provisioning of potable water. Therefore, no analysis can be executed to which extent the revenues cover the allocated costs. Nevertheless, the formula used for calculation of the 'fuel clause' for water can be analyzed from a systematic perspective.

Only the tariff component 'fuel clause' is amended on a monthly basis and it is implied that this component is to cover the fuel costs for production of potable water. Currently the following formula is used by GEBE in order to calculate and implement this tariff component:

FUEL CLAUSE WATER IS MADE UP FROM THE FOLLOWING COMPONENTS:	
Fuel clause is calculated after an allowance of XCG 165	
Price per M3 HFO in XCG (per SOL/Market)	**A**
Fixed rate of ANG 165 Per Government decree	**B**
Multiplied by 1.5% Cost to produce 1M3 of water	**C**
Fuel clause calculation:	
(A-B) *C = E	
E = fuel clause	

Equation 2: fuel clause water formula

The basis for this formula consists of the market price of one m3 of fuel (HFO) charged by SOL to GEBE (minus XCG 165 by government decree) multiplied by 1.5%, which percentage is apparently to reflect the costs to be realized to produce one m3 of potable water.

This implies that the fuel costs are indirectly allocated to the 'fuel clause' as part of the water tariffs. This allocation is 'indirect', as the actual production of potable water is based on electricity usage. It is assumed that the percentage of 1.5% in the formula intends to calculate the actual costs for water production, but no explanation has been provided on how the 1.5% is determined. From a cost causality perspective, the actual electricity costs used for water production would entail a more sound basis in order to calculate the 'fuel clause' for water.

Nonetheless, as explained in paragraph 5.2 above, all monthly fuel costs incurred by GEBE in order to produce electricity for provisioning to all electricity consumers *and* Seven Seas are already included in the fuel clause for electricity and therefore paid for by the electricity consumers. By adding a 'fuel clause' to the water tariffs, the fuel costs realized by GEBE for the supply of electricity to Seven Seas are allocated twice, namely to the fuel clause for electricity and the fuel clause for water.

Therefore, it is recommended to have GEBE provide insight in the actual electricity costs related to the provisioning of electricity to Seven Seas for the production of potable water. These electricity costs - after deduction of the electricity revenues resulting from the agreed electricity tariff to be paid by Seven Seas to GEBE (see paragraph 5.5) - could then form the basis for considering a revised 'fuel clause' for water, as recommended in paragraph 4.4, based on the following formula:

$$\frac{\text{(total monthly electricity costs for water production (in XCG) -/- monthly electricity sales to Seven Seas (in XCG))}}{\text{total sales by GEBE of potable water per month (in m3)}}$$

At the same time, the 'fuel clause' for electricity should no longer cover the fuel costs for the electricity provisioning to Seven Seas (see recommendation in paragraph 5.2 above).

5.4 Non-revenue electricity and potable water

Non-revenue refers to any goods or services that are provided but that do not result in billed revenue or cash inflow. In terms of the utility sector there is NRE, which is short for non-revenue electricity and NRW, which stands for non-revenue water. NRE may include technical losses such as losses in the transmission and distribution as well as non-technical losses such as meter tampering, theft or billing inaccuracies. With regard to water, NRW can be seen in physical losses due to for example water leaks and unauthorized consumption. Both NRE and NRW are key performance indicators that are commonly used to measure the efficiency within the utility sector.

NRE can easily be deduced by taking the total electricity supply that is fed onto the utility grid relative to the electricity that is billed. A common formula that is usually applied is depicted below, supported by a numerical example based on the production figures of GEBE for the month of September 2023.

	NRE component	Value in kWh	Formula
A	Gross production	[redacted]	
B	Own use power plant	[redacted]	
C	Net production / kwh's available for distribution	[redacted]	C = A-B
D	Billed sales	[redacted]	
E	Consumption Seven Seas	[redacted]	
F	Total sales	[redacted]	F = D + E
G	NRE in kWh	[redacted]	G = C - F
H	NRE in %	8.5%	H = 1 - F/C

Table 6: Example NRE calculation

From this example it can be seen that the 8.5% of NRE is the result of a formula. In the fuel clause calculation for electricity GEBE however applies a fixed percentage of 8.5% over the net production to calculate the NRE. This is not common practice as the production and sales vary on a monthly basis leading to a different NRE percentage every month. Applying a fixed NRE percentage ignores the real time variability and may lead to growing inefficiencies. It is important to note that NRE fluctuates with factors such as seasonal demand, grid maintenance and the wear and tear of machinery. A utility company, like GEBE, should be incentivized to lower its NRE; maintaining a fixed percentage therefore will not reflect any operational changes and as a result this can have a significant impact on the electricity tariffs.

The calculation for NRW takes on a simpler form since GEBE is solely responsible for the distribution of water and not the production. The non-revenue for water may be calculated by taking the difference between the cubic meters of water that are purchased from Seven Seas and the water sales that are billed to consumers. This difference will be equal to the NRW. GEBE still remains to provide details on the NRW percentage that is applied for water, as this was not disclosed in the water tariff calculation.

Once GEBE has established a structural method in place for calculating its non-revenue, it is recommended to include a non-revenue norm which can then be evaluated on a periodic basis. The reasoning for introducing such a norm would serve as an incentive for GEBE to stimulate an efficient operation where losses are kept to a minimum. Surpassing such a norm may result in a lower return on investment, while a more efficient operation than the norm could warrant a higher return on investment.

5.5 Base rates electricity and potable water

Base rates for electricity
From a regulatory perspective, the base rate should be designed to cover all the fixed costs associated with the production and distribution of electricity. A simplified calculation method involved dividing the total expenses for electricity provision are divided by the total electricity sales. From the information received it is currently unclear what the basis is for the current base rate of XCG 0.25 cents. The base rate however has remained unchanged since it has last been set by the Government in 2011. GEBE claims that XCG 0.25 is insufficient to cover the operational expenses, let alone to be able to invest in the electricity infrastructure. This has, however, not been substantiated.

An important element in determining base rates is a transparent financial administration. The cost components that are part of a base rate calculation may include the following:

Cost component	Description
Personnel expenses	All expenses related to the company's own personnel
Maintenance expenses	Expenses for maintenance and outsourcing
General expenses	Expenses related to the offices, communication, consultancy etc.
Depreciation	Expenses for depreciation and amortization

Table 7: cost components base rate determination

Besides covering all operational expenses, the base rate should also cover a reasonable return to be able to fund future investments. A utility company such as GEBE requires sufficient capital in order to invest and maintain adequate working capital. This capital can be secured through a combination of debt and equity financing. GEBE then should be able to generate a reasonable return in order to meet its financial obligations such as interest payments and dividends and to ensure its (re)investments. The determination of the base rate should be grounded in these principles. One commonly accepted method for calculating this reasonable return could be through a weighted average cost of capital also known as the 'WACC'. The WACC represents the return that GEBE must earn on its asset base to satisfy its investors, creditors and shareholders.

In order to conclude whether the current base rate of XCG 0.25 is sufficient to cover all operational expenses, details are required on the expenses as reported in the (audited) financial statements of GEBE. A holistic approach could be applied where the total expenses, with the exemption of any fuel expenses, are divided by the electricity sales (in kWh) to determine what the base rate could be. Despite the information request for the annual accounts of GEBE, these were not provided during the evaluation and therefore no conclusion can be made with regard to the base rate of electricity.

Base rates for potable water
Following the findings in paragraph 4.4 and 5.3 regarding the tariffs and fuel clause for potable water, it can be concluded that all tariff components other than the 'fuel clause' for water intend to cover all operational and capital expenses other than 'fuel' costs. Therefore, these can be regarded as base rates for potable water.

As no cost information has been provided, no quantitative analysis can be executed in order to determine to which extent the base rates are sufficient to cover the operational and capital expenses. These expenses nevertheless should consist of all costs related to the distribution of water and personnel costs related to the production of water since GEBE is required to provide these human resources according to the WSA, as well as the purchase costs of potable water to be paid by GEBE to Seven Seas in accordance with the WSA.

More specifically with regard to the purchase of potable water by GEBE (on behalf of the Country Sint Maarten) from Seven Seas, it is noted that the purchase price as agreed in the WSA depends on a certain threshold. In the Fifth Amendment to the WSA it is agreed [redacted].

These purchase prices *include* [redacted] for the Desalination Resource Development Program, and ii) electricity costs based on an agreed electricity tariff of [redacted] per kWh that Seven Seas is to pay to GEBE for the electricity provisioning in order to produce potable water. GEBE explained that this *special* electricity tariff is intended as a 'base rate' and not as a 'fuel clause' for electricity. It is recommended, however, to deduct the electricity revenues for GEBE resulting from this agreed electricity tariff, from the total electricity expenses that are recommended to be allocated to the 'fuel clause' for water to avoid that these costs are allocated twice to the tariffs.

[redacted]

[redacted]

Recommendations base rates electricity and water

An evaluation of the base rate should at least occur on an annual basis to ensure that all allocated expenses other than fuel/electricity expenses are covered. Preferably the calculation for the base rate will need to be evaluated by an independent body, based on input provided by GEBE. In the event that the base rates prove to be insufficient, a recovery component can then be introduced in the tariffs to make up for the possible under coverage. Possible over coverages can be corrected for by decreasing the base rate.

On the long term, an evaluation of the base rate should be performed on *ex ante* basis, which is an evaluation of the base rate based on the budget and forward looking projections. This is usually performed at the beginning of a financial year. At the end of the financial year, it is suggested to perform an *ex post* evaluation where the audited figures are used as the basis. To perform these evaluations, GEBE would be required to provide an allocation model which distinguishes between costs that pertain to electricity or water and/or both.

6 Conclusions and recommendations

This final chapter contains the conclusions and recommendations derived from the findings and analyses set out in the previous chapters. These are structured based on the energy chain, whereby fuel provisioning is regarded as an input for electricity production and distribution and electricity provisioning is (also) an input for water production and distribution.

The analyses in this report have primarily focused on the validity and reliability of the fuel clauses as part of the electricity and water tariffs. These analyses have also been placed in the total perspective of the tariffs, including the base rate components of these tariffs.

The information required for these analyses has been partly received, as a result of which more comprehensive quantitative analyses could not be performed at this point in time. Consequently, it is not currently possible to determine whether electricity and water tariffs can be reduced. Nonetheless, a range of recommendations is provided to support the optimization of both the tariff components and the (overall) tariff structure.

6.1 General

All operators active in the various (sub)markets - fuel, electricity and potable water - on Sint Maarten function as monopolistic suppliers. This market structure is not uncommon in small (island) nations, since the production and distribution of utilities require substantial capital investments leaving limited to no scope for market competition without resulting in inefficient duplication of investments.

This situation, however, in general requires a robust framework of oversight and regulation, which is currently practically non-existent in these (sub)markets on Sint Maarten. For many years the main operators, being SOL and GEBE, have been in a position to unilaterally determine the utility tariffs. This has resulted in a lack of transparency in tariff setting and consequently a diminished level of trust by the public, magnified by various (operational) challenges faced by these operators in the recent years. [redacted]

Independent oversight and regulation should be the driving force behind implementation of changes in tariff setting procedures and stimulating efficiency in operations (both in order to optimize tariffs), as well as enhancing transparency and eventually restoring trust in the energy sector as a whole.

RECOMMENDATION 1: *Incorporate the regulation of (maximum) tariffs for fuels for electricity generation (currently LFO and HFO) within the existing regulatory procedure for price regulation of gasoline, diesel and LPG, at present executed by the Ministry of TEATT.*
The legal basis for such regulation is provided by the 'Prijzenverordening' since the distribution of these fuels by SOL to GEBE is in the general interest of the public. Once an independent

regulatory body is established and sufficiently equipped, it can be considered to assign this regulatory task to such body (see recommendation 2).

RECOMMENDATION 2: *Assign the regulation of tariffs for electricity and water to an independent regulatory body, preferably BTP SXM, since BTP SXM is an existing organization already tasked with regulatory oversight on other markets.*
The tariff setting procedure and determination of maximum tariffs can be legally based on article 12, paragraph 4, of the 'Verordening elektriciteitsconcessies' and/or the 'Prijzenverordening'.
The independent regulatory body will initially (until a further legal basis is created for such body) serve as an advisor to the Minister of TEATT, who currently has the legal authority to determine maximum tariffs based on the 'Prijzenverordening'. In this respect it is also recommended to limit this regulatory task initially to a review of the calculation of the tariffs provided by GEBE on a periodic basis, preferably monthly. As soon as this process evolves and matures, it could be decided to have the regulatory body execute the calculations based on the information to be provided by GEBE.
The financial resources required for such independent regulatory body could be allocated from the yearly concession fee to be paid by GEBE to the Country of Sint Maarten as stipulated in its electricity concession.

RECOMMENDATION 3: *It is acknowledged that the regulation and oversight of the energy and water sectors in Sint Maarten are still in an early stage of development. In light of this, it is recommended that, based on the existing legal framework, policy be developed to embed the aforementioned recommendations in a structured and coherent manner. This policy should serve as the foundation for strengthening regulatory capacity and operational oversight in the short to medium term. Over time, and informed by the implementation of this policy, comprehensive legislation and regulations should be drafted to formalize and institutionalize regulatory practices for the sector.*

6.2 Fuel

During the period 2022-2024 the development of procurement prices paid by GEBE to SOL for diesel fuels (LFO and HFO) generally followed international market prices. However, an increase in the other tariff components has been noted over these years.

Furthermore, a transition from the use of (generally less costly) HFO to (generally more expensive) LFO by GEBE has been noted. Pricing is, however, not the only consideration regarding such transitions, since the use of lighter diesel fuels can result in lower maintenance costs and improved operations.

RECOMMENDATION 4: *The Ministry of TEATT is advised to Initiate a regulatory evaluation, subsequent to recommendation 1. This review should be conducted in a manner similar to that applied to other regulated fuel products under the 'Prijzenverordening'. The results of such evaluation should be the basis for a sustainable supply agreement between SOL and GEBE.*

RECOMMENDATION 5: *Initiate an assignment to GEBE, based on its electricity concession, mandating GEBE to develop and submit an optimization plan for the use of different fuels for electricity generation, from both an operational and economic perspective.*

RECOMMENDATION 6: *Following the implementation of recommendation 5, based on its electricity concession, GEBE should be tasked to develop and present an Integrated Resource Plan (IRP). An IRP details the development of the electricity production mix on the longer term, including a transition towards more renewable energy sources taking into consideration the expected electricity demand. There should be an alignment between the IRP and the National Energy Policy.*

6.3 Electricity

The current formula for calculation of the monthly adjusted fuel clause as part of the electricity tariffs, is i) based on an imparity in tariff period and ii) includes the fuel costs for the provisioning of electricity to Seven Seas for the production of potable water. Furthermore, a fixed percentage for NRE is applied, while this should be a dynamic component within the formula.

Although the imparity in tariff period is comprehensible, this will result in surpluses or deficits that need to be corrected at a certain point in time. Over the three year period 2022- 2024 a total surplus of approximately [redacted] has been noted. This means that the revenues from the fuel clause were approximately [redacted] higher than the actual fuel costs, which is not in line with the principles of cost orientation and cost causality.

Under the current formula the electricity provided by GEBE to Seven Seas (# kWh) is deducted from the total electricity production, prior to dividing the total fuel costs by the total electricity sales. This results in electricity consumers indirectly bearing the fuel costs associated with electricity supplied to Seven Seas. From a cost-causality perspective, these specific costs should only be allocated to the water tariffs.

Furthermore, the current formula for determining the electricity tariffs could not be validated in light on the aforementioned points of attention.

Although verified only for one specific month, it was observed that the actual fuel clauses invoiced to consumers, deviated from the calculated fuel clause (in this case September/October 2023). The invoiced fuel clause was lower than the calculated fuel clause, thus affecting the reliability of the process (and consequently the financial position of the operator and/or energy costs for the community).

RECOMMENDATION 7: *Request that GEBE revise the current formula of the fuel clause for electricity, based on the 'Verordening electriciteitsconcessies' and 'Prijzenverordening', whereby:*

1) *differences between the i) the actual fuel costs in the previous month (N-1), and ii) the revenues in order to cover those fuel costs of month N-1 resulting from the sales in the current month (N), are corrected in the tariffs. Such correction can be executed e.g. on*

a monthly or quarterly basis, but in order to mitigate substantial tariff fluctuations it is recommended to calculate and correct this on a monthly basis;

2) *the provisioning of electricity to Seven Seas for water production is no longer deducted from the total electricity production, and this provisioning as such becomes part of the 'net sales' in the formula;*
3) *non-revenue is no longer included as a fixed percentage (currently 8.5%), but calculated on the actual difference between i) the total production of electricity minus own electricity consumption of the power plants, and ii) net sales of electricity.*

RECOMMENDATION 8: *Request GEBE, based on the 'Verordening electriciteitsconcessies' and 'Prijzenverordening', to conduct a high-level cost coverage analysis for the years 2022-2024 regarding i) the fuel expenses in relation to the revenues from the electricity fuel clause, and ii) the other allocated operational and capital expenses in relation to the revenues from the electricity base rate. Together with the outcome of recommendation 10 below, this should result in a report, preferably submitted to the independent body, indicating whether the entire financial exploitation of GEBE has resulted in a surplus or deficit for these years.*

RECOMMENDATION 9: *Request GEBE, based on the 'Verordening electriciteitsconcessies' and 'Prijzenverordening', to initiate and/or continue an evaluation of the base rates for electricity, including allocation of costs to electricity, preferably based on the budget 2025 (ex ante). It is recommended that thereafter an evaluation of the base rates is executed annually by an independent body, both on 'ex ante' and 'ex post' basis.*

6.4 Potable water

The current 'fuel clause' formula as part of water tariffs for commercial consumers, is based on fuel prices multiplied by a factor of 1.5%. No explanation is given regarding the rationality of this formula. Furthermore, the fuel clause is not applied to domestic consumers.

From a cost-causality perspective, the actual electricity costs used for water production would entail a more sound basis in order to calculate the 'fuel clause' for water, since reverse osmosis plants use electricity for the production of potable water.

Furthermore, the gap between domestic and commercial water tariffs exceeds 400%, indicating substantial cross-subsidization.

It is therefore recommended to comprehensively revise the tariffs for potable water, since there is clear lack of transparency and cost causality, and the current formula used for the fuel clause could not be validated. As such revisions may significantly impact all consumer groups, a careful, data-driven approach is necessary—preceded by an in-depth impact analysis.

RECOMMENDATION 10: *Request GEBE, pursuant to the 'Prijzenverordening', to perform a high-level cost coverage analysis for the years 2022-2024 regarding i) the electricity expenses in relation to the revenues from the water fuel clause, and ii) the other allocated operational and capital expenses in relation to the revenues from the water base rate. Together with the*

outcome of recommendation 8, this should yield a report, preferably to the independent body, indicating whether the entire financial exploitation of GEBE has resulted in a surplus or deficit for these years.

RECOMMENDATION 11: *Request GEBE, based on the 'Prijzenverordening', to initiate and/or continue an evaluation of the base rates for water, including an allocation of costs to water, preferably based on the budget 2025 (ex ante). It is recommended that this process is followed by annual evaluations of the base rates by an independent body, on both 'ex ante' and 'ex post' basis.*

RECOMMENDATION 12: *Request GEBE, based on the 'Prijzenverordening', to develop and propose an integral change of the tariff structure for potable water, whereby:*

1) *a new formula for the fuel clause is adopted for all tariff groups (domestic and commercial), in which the formula represents the monthly fluctuating electricity costs for the production of potable water:*

$$\frac{\text{(total monthly electricity costs for water production (in XCG) -/- monthly electricity sales to Seven Seas (in XCG))}}{\text{total sales by GEBE of potable water per month (in m3)}}$$

   Similar to the fuel clause for electricity, any disparity in tariff periods regarding realized costs and realized revenues in order to cover those costs should be addressed via a correction mechanism, preferably on a monthly basis;
2) *the extent of cross subsidization of the domestic consumers by the commercial consumers as a consequence of the substantial differentiation in the potable water tariffs is reconsidered.*

RECOMMENDATION 13: *Initiate a timely evaluation of the potable water production model and develop a plan for the future operations in view of the expiration of the Water Supply Agreement with Seven Seas on February 13th, 2027.*

Appendix 1

Sol Antilles N.V. - pricing structure definitions		
No.	Description	Definition
1	[redacted]	
2	Premium surcharge	The surcharge is a way for suppliers to recoup the higher production and distribution costs associated with premium fuels.
3	Insurance	The fuel price insurance or risk coverage related to the transportation and delivery of fuel. This insurance cost could cover various risks, such as: Transportation Risks, Transportation Risks: Insurance that protects against losses or damages that might occur during the transportation of fuel. This includes accidents, spills, theft, or other incidents that could affect the delivery.
4	Freight	The freight refers to the transportation costs involved in moving fuel from the supplier's facility (such as a refinery or storage terminal) to the customer's location or a fuel station. This includes the expenses associated with the logistics and delivery process, which might involve trucks, ships, pipelines, or rail, depending on the distance and mode of transport.
5	Procurement	The procurement refers to the process and costs associated with sourcing and purchasing the fuel. This includes all activities involved in acquiring the fuel from producers or refineries and ensuring its availability for delivery to customers.
6	Inspection	The inspection refers to the costs associated with ensuring that the fuel meets certain quality, safety, and regulatory standards before it is delivered to the customer.
7	Loss Allowance (0.5%)	The loss allowance refers to a contingency for fuel losses that may occur during the storage, handling, or transportation of the fuel. It accounts for the small but expected amount of fuel that may be lost due to factors such as: Evaporation, Spillage, Leakage and /or Temperature Expansion/Contraction
8	CIF	CIF stands for Cost, Insurance, and Freight, and it is a term commonly used in international trade. When a fuel supplier or seller quotes a CIF price, it means that the price includes three main components: 1. Cost: The cost of the fuel itself, covering the purchase price from the supplier. 2. Insurance: The insurance coverage for the shipment, which protects the buyer in case of damage, loss, or other risks during transportation. 3. Freight: The cost of transporting the fuel to the buyer's destination, usually to a specific port or terminal.
9	Remittance Tax (1% CIF)	Remittance tax refers to a tax imposed on funds that are transferred or sent from one country to another, particularly when the funds are sent by individuals or businesses to a foreign entity or jurisdiction. In the context of a fuel supplier's price breakdown, remittance tax could refer to: 1. Tax on International Payments: If a fuel purchase involves payment to a foreign supplier, some countries impose a tax on the outbound remittance (the payment being sent out of the country). This tax is typically a percentage of the payment being transferred. 2. Withholding Tax: In some cases, remittance tax may function similarly to a withholding tax, where the buyer is required to withhold a portion of the payment for taxes before remitting the funds to the supplier. 3. Tax on Profits Repatriated: If a company operates in one country and sends profits back to its headquarters or parent company in another country, some governments may impose a tax on the remitted profits. The purpose of a remittance tax is often to capture revenue from cross-border financial transactions and ensure that taxes are collected on income or payments leaving the country. In international fuel transactions, such taxes may be included in the price breakdown to cover the tax costs associated with transferring funds across borders.
10	Port Throughput Fee	The Port Throughput Fee refers to a charge levied for the handling and movement of goods, such as fuel, through a port. This fee is applied to cover the various services and infrastructure used when fuel is loaded, unloaded, stored, or transferred at a port.
11	Marketing Differential	The Marketing Differential in the context of fuel pricing refers to the difference between the cost of producing or acquiring fuel (such as from a refinery or wholesale supplier) and the price at which it is sold to the end customer. This differential reflects the various costs and profit margins associated with marketing, distributing, and selling the fuel.

Table 8: SOL pricing structure definitions