

# UTILITY REGULATION AND COMPETITION OFFICE

## ANNUAL PLAN 2019



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# TABLE OF CONTENTS

## INTRO

---

*Pages 3–4*

## 01

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### Why OfReg?

*Pages 5-12*

- + *Why Do We Exist?*
- + *What Do We Do?*
- + *How Do We Deliver?*

## 02

---

### The Plan for 2019

*Pages 13-21*

- + *Commonalities*
- + *Sector Plans :*
- + *Energy*
- + *Fuels*
- + *ICT*
- + *Water*
- + *Operations*

## 03

---

### Measuring Success

*Pages 22–26*

- + *Key Performance Indicators*
- + *Quarterly Objectives*

## 04

---

### Appendices

*Pages 27-43*

- + *Abbreviations*
- + *2019 Budget*
- + *Legislative Agenda*

“ Our aim with this document is to produce an informative guide to OfReg’s strategic plans for the year and to present details on how we will deliver.

*The Plan includes common strategic objectives which the Board seeks to implement across all sectors. It also seeks to deliver a Plan which is consumer-focused and creates alignment across all areas of OfReg’s regulatory responsibilities.*

*In addition, the Annual Plan should enable the Board, through the CEO, to cascade key objectives to staff.*

*We hope you find this document informative and useful.*

– *Alee Fa’amoe*

Acting CEO, OfReg

February 2019

”



# INTRODUCTION



*OfReg’s Strategic Plan drives the specific deliverables for each year, as documented in the Annual Plan.*

*Annual priorities are then set, along with deliverables and Key Performance Indicators.*

*These then become objectives for the CEO and are cascaded to management & staff.*

# Why OfReg?

- 
- + *Why Do We Exist?*
  - + *What Do We Do?*
  - + *How Do We Deliver?*

01



# WHY DO WE EXIST?

*There are three main elements that drive why OfReg was created. They form the basis of the OfReg strategic objectives.*

## *Consumers*

The Office seeks to deliver benefits to consumers by ensuring the availability, reliability, quality, and safety of utilities.

Because utilities are often delivered by just one provider in any given area (as is the case with water and electricity), or only a few providers (as is the case in the fuels sector), the regulator has a role to ensure consumers are protected from harm.

The Office protects consumers in several ways using rules, regulations, license conditions and other mechanisms. For example, electricity and water rates must be approved by the Office, we set fuel quality standards, and we measure quality of service (QoS) in the telecommunications sector.

## *Infrastructure*

Utilities services are delivered to consumers over very specialized equipment. Think of the transformers on power poles for your electricity, the underground pumping stations for your water supply, and the submarine cables that enable you to connect to the internet.

This infrastructure is critical not only to the service providers, but the economy as a whole. Without it, no modern economy can function.

OfReg is mandated by law to take steps to protect this Critical National Infrastructure (CNI).

## *Growth & Innovation*

In all but one case, the utility service providers are private entities, either privately held or publicly traded. Gone are the days when the Government would provide utility services.

But investors demand a return on their investments. The regulator must ensure there is an environment that is well-regulated, but which also is stable and fair and can thereby remain attractive to the ongoing investments needed to maintain quality services.

A part of this regulatory remit is to foster and encourage innovation across the sectors. Whether it is through policies to encourage renewable energy technology, or licensing frameworks that attract experimental networks, OfReg will continue to keep innovation a high priority.

## THE LAWS

*These are the various laws that created OfReg and which the Office is expected to operate under and to enforce.*

*Beyond these specific regulatory functions, there are many other laws which place obligations on the Office. For example, the Public Authorities Law, Labour Law, Freedom of Information Law, National Archives Law, and many more. These are not addressed in the Annual Plan, but fall under a Compliance Plan which the Office manages.*

1. Dangerous Substances Law (2017 Revision) (“DSL”)
2. Electricity Sector Regulation Law (2019 Revision) (“ESR”)
3. Electronic Transactions Law (2003 Revision)
4. The Fuel Market Regulation Law, 2017 (“FML”)
5. Information and Communications Technology Law (2019 Revision) (“ICT Law”)
6. Utility Regulation and Competition Law (2019 Revision) (“URC Law”)
7. Wastewater Collection and Treatment Law (2019 Revision) (“WCT Law”)
8. Water (Production and Supply) Law (2018 Revision) (“WPS Law”)
9. The Water Sector Regulation Law (2019 Revision) (“WSRL”)



# THE LAWS

*Nine main laws give OfReg its powers and also speak to the specific responsibilities the Office has to regulate and enforce its Strategic Objectives.\**

## *Consumers*

DSL Section 9D, 10.F.(1)(b) and 13

ESR Sections 9(2) and (5), 23(4), 26, 66, 67, 68, 69, 70 and Schedule

FML Sections 5 and 10

ICT Law Section 9

URC Law Sections 2, 6, 45, 50, 52, 55, 57, 60 and 61

WCT Law Section 14

WPS Law Section 13

WSRL Sections 3, 6 and Schedule

## *Infrastructure*

DSL Section 15

ESR Sections 31, Part VII, 74, 89 and Schedule

FML Sections 5 and 6

ICT Law Sections 9, 23, Part VII and Part XI

URC Law Sections 6, 45, 62, 63 and 111

WCT Law Sections 11 and 13

WPS Law Section 11

WSRL Sections 3, 11, 19 and 20

## *Growth & Innovation*

DSL Sections 9B and 15

ESR Sections 9, 89 and Schedule

FML Section 5

ICT Law Section 9

URC Law Sections 6, 34, 38 and 62

WSRL Section 3

\*This list is meant to be illustrative, not exhaustive.

# WHAT DO WE DO?





## HOW DO WE DELIVER?

*Consumers*

*Infrastructure*

*Growth & Innovation*

Consumer Protection & Benefit

*Consumer Protection Regulations*

*Truth in Advertising Rules*

*Quality of Service (QoS) standards*

*Public Safety*

*Sector-Specific Initiatives*



## HOW DO WE DELIVER?

*Consumers*

*Infrastructure*

*Growth & Innovation*

Protecting Infrastructure

*Critical National Infrastructure (CNI)*

*Disaster Preparation*

*Setting Standards*

*Sector-Specific Initiatives*



## HOW DO WE DELIVER?

*Consumers*

*Infrastructure*

*Growth & Innovation*

Promoting Economic Growth & Innovation

*Creating Incentives to Invest*

*Supporting and Encouraging Innovation*

*Ensuring Stable & Competitive Markets*

*Sector-Specific Initiatives*

# The 2019 Plan

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+ *Commonalities*

+ *Sector Plans: Energy, Fuels, ICT, Water*

+ *Operations*

02

# COMMONALITIES

*All sectors within OfReg, Energy, Fuels, ICT, and Water, will address common areas under the three Strategic Objectives.*



## *Consumers*

Consumer protection initiatives across all sectors during 2019 include:

- *Consumer Protection Regulations*
- *Truth In Advertising Rules*
- *Quality of Service standards*
- *Public Safety initiatives*

## *Infrastructure*

Infrastructure initiatives across all sectors during 2019 will include:

- *Protecting utility infrastructure*
- *Identification of CNI*
- *Protecting buried infrastructure: ClickB4UDig*
- *Cross sectors disaster preparedness plans*

## *Growth & Innovation*

G&I initiatives common to all sectors in 2019 will include:

- *New licensing frameworks*
- *Compliance monitoring*
- *Investigation procedures*
- *Enforcement processes*
- *Establish Anti-Competitive Practices rules*



# SECTOR PLANS: ENERGY

*These are the main deliverables for the Energy sector for 2019.*

## *Consumers*

Electricity Consumer Protection Regulations - set standards by end of Q2.

Electricity QOS - set standards by end of Q2.

Electricity QOS – set measurement processes by end of Q3

Electricity QOS – implement measurements by end of Q4

## *Infrastructure*

Electricity Infrastructure Protection Regulations - set standards by end of Q3.

## *Growth & Innovation*

New License for Cayman Brac Power & Light by Q2

New Consumer Renewables programme to replace Customer Owned Renewable Energy (CORE) programme by end Q4

Deploy additional renewables on the grid, per the National Energy Policy (NEP).

Develop RFP process for large scale commercial renewable licensing



# SECTOR PLANS: FUELS

*These are the main deliverables for the Fuels sector for 2019.*

## *Consumers*

Fuels Consumer Protection - set standards by end of Q2.

Fuels QOS - set standards by end of Q1.

Fuels QOS – set measurement processes by end of Q2

Fuels QOS – implement measurements by end of Q3

## *Infrastructure*

Fuels Infrastructure Protection - set standards by end of Q3.

## *Growth & Innovation*

New Fuels licensing framework.

Fuels compliance monitoring.

Fuels investigation & enforcement processes.

Implement remedies to address market dominance per FMR Law\* - end Q4.

\*See “The Fuel Market Regulation Law (2017)” Schedule to Section 7.



# SECTOR PLANS: ICT

*These are the main deliverables for the ICT sector for 2019.*

## *Consumers*

ICT Consumer Protection - set standards by end of Q2.

ICT QOS - set standards by end of Q2.

ICT QOS – set measurement processes by end of Q3

ICT QOS – implement measurements by end of Q4

## *Infrastructure*

ICT Infrastructure Protection - set standards by end of Q3.

## *Growth & Innovation*

Develop submarine cable application processes by end Q2

Create KY Domain registration programmes to grow the registry by end Q3.

Create a new ICT Licensing Framework by end Q2.

Re-license all CSPs\* and FM radio broadcasters by end of Q4.

Set minimum standards for broadband service in the Cayman Islands.

\*CSPs = "Communications Service Providers," the traditional telecommunications service providers or 'phone companies'.



# SECTOR PLANS: WATER

*These are the main deliverables for the Water sector for 2019.*

## *Consumers*

Consumer Protection - set water standards by end of Q2.

Water QOS - set standards by end of Q1.

Water QOS – set measurement processes by end of Q2

Water QOS – implement measurements by end of Q3

## *Infrastructure*

Water Infrastructure Protection - set standards by end of Q3.

## *Growth & Innovation*

New CWC Licence

New WAC Licence

License all private water producers

# OPERATIONS

*Office administration and operations provide a critical support function for the mission of the Office. There are a number of initiatives in each support function during 2019 to improve efficiency and effectiveness across the Office.*



# OPERATIONS, CONT'D

*The five main functions report into the COO. These are their main objectives for 2019.*



## *Administrative Support*

Licensing: review licensing support functions to automate and streamline.

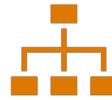


## *Corporate Communications*

Comms Plan: Execute the Communications Plan for 2019.

Public Meetings: plan and execute the public engagement plans in coordination with the Board.

Consultations: develop communications to support planned consultations and determinations.



## *HR*

Performance Management: Implement new PM system across the Office.

JDs: review and update job descriptions.

Policies & Procedures: review and update all HR policies & procedures.

Implement on-boarding and off-boarding processes.



## *IT*

Cybersecurity: implement NIST\* standards.

Training: ensure all staff have access to training for each application & system.

Website: execute the 2019 Website Improvement Project



## *Operations*

Office Space: plan and execute office expansion.

Security: review and improve physical security.

BPI: Support the Business Process Improvement project & implement results.

\* \*NIST = National Institute of Standards & Technology, US government agency.



## OPERATIONS, CONT'D

*The Finance and Legal functions report directly to the CEO*



### *Finance*

Audit preparation & support.

Migration from IFRS to IPSAS

Evaluate and reconfigure accounting system to support IPSAS

Support sector teams with financial reviews of relevant licensees.



### *Legal & Policy*

Consultations & Determinations: provide support and advice for planned activities in each sector.

Legal Support: Provide ongoing legal support to each sector.

Legislative Agenda: lead the effort to amend laws as needed.

# Measuring Success

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+ *Key Performance Indicators by Sector*

+ *Quarterly Objectives*

03



# MEASURING SUCCESS IN ENERGY

KPI	Common Objectives	Energy Specific Objectives	When
e1	Consumer Protection Regulations	Electricity Consumer Protection Regulations - set standards	End Q2
e2	Truth In Advertising Rules	Implement TIAR across the sector.	End Q4
e3.1	Quality of Service standards	Electricity QOS - set standards	End Q2
e3.2	Quality of Service standards	Electricity QOS – set measurement processes	End Q3
e3.3	Quality of Service standards	Electricity QOS – implement measurements	End Q4
e4	Public Safety initiatives	Develop sector-specific public safety rules/regulations.	End Q4
e5	Protecting Utility Infrastructure	Create a map of all electricity infrastructure.	End Q4
e6	Identification of CNI	Identify all electricity CNI elements.	End Q4
e7	Protecting buried infrastructure: ClickB4UDig	Ensure all licensees participate in the ClickB4UDig project.	End Q4
e8	Cross sectors disaster preparedness plans	Liaise with HMCI and the electricity sector on DR plans.	End Q4
e9	New licensing frameworks	Develop new electricity licensing framework.	End Q4
e10	Compliance monitoring	Develop methods to monitor licensee compliance.	End Q4
e11	Investigation procedures	Document investigation procedures.	End Q4
e12	Enforcement processes	Document enforcement processes.	End Q4
e13	Establish Anti-Competitive Practices rules	Establish Anti-Competitive Practices rules in the sector.	End Q4
e14	n/a	Issue new License for Cayman Brac Power & Light	End Q2
e15	n/a	Develop New Consumer Renewables programme to replace CORE	End Q4
e16	n/a	Deploy additional renewables on the grid, per the NEP (National Energy Policy).	End Q4
e17	n/a	Develop RFP process for large scale commercial renewable licensing	End Q3



# MEASURING SUCCESS IN FUELS

KPI	Common Objectives	Fuels Specific Objectives	When
f1	Consumer Protection Regulations	Fuels Consumer Protection Regulations - set standards	End Q2
f2	Truth In Advertising Rules	Implement TIAR across the sector.	End Q4
f3.1	Quality of Service standards	Fuels QOS - set standards	End Q2
f3.2	Quality of Service standards	Fuels QOS – set measurement processes	End Q3
f3.3	Quality of Service standards	Fuels QOS – implement measurements	End Q4
f4	Public Safety initiatives	Develop sector-specific public safety rules/regulations.	End Q4
f5	Protecting Utility Infrastructure	Create a map of all Fuels infrastructure.	End Q4
f6	Identification of CNI	Identify all Fuels CNI elements.	End Q4
f7	Protecting buried infrastructure: ClickB4UDig	Ensure all licensees participate in the ClickB4UDig project.	End Q4
f8	Cross sectors disaster preparedness plans	Liaise with HMCI and the Fuels sector on DR plans.	End Q4
f9	New licensing frameworks	Develop new Fuels licensing framework.	End Q4
f10	Compliance monitoring	Develop methods to monitor licensee compliance.	End Q4
f11	Investigation procedures	Document investigation procedures.	End Q4
f12	Enforcement processes	Document enforcement processes.	End Q4
f13	Establish Anti-Competitive Practices rules	Establish Anti-Competitive Practices Fuels in the sector.	End Q4
f14	n/a	Secure long-term funding for the Fuels sector	End Q4
f15	n/a	Implement remedies to address market dominance per FMR Law.	End Q4



# MEASURING SUCCESS IN ICT

KPI	Common Objectives	ICT Specific Objectives	When
i1	Consumer Protection Regulations	ICT Consumer Protection Regulations - set standards	End Q2
i2	Truth In Advertising Rules	Implement TIAR across the sector.	End Q4
i3.1	Quality of Service standards	ICT QOS - set standards	End Q2
i3.2	Quality of Service standards	ICT QOS – set measurement processes	End Q3
i3.3	Quality of Service standards	ICT QOS – implement measurements	End Q4
i4	Public Safety initiatives	Develop sector-specific public safety rules/regulations.	End Q4
i5	Protecting Utility Infrastructure	Create a map of all ICT infrastructure.	End Q4
i6	Identification of CNI	Identify all ICT CNI elements.	End Q4
i7	Protecting buried infrastructure	Ensure all licensees participate in the ClickB4UDig project.	End Q4
i8	Cross sectors disaster preparedness plans	Liaise with HMCI and the ICT sector on DR plans.	End Q4
i9	New licensing frameworks	Develop new ICT licensing framework.	End Q4
i10	Compliance monitoring	Develop methods to monitor licensee compliance.	End Q4
i11	Investigation procedures	Document investigation procedures.	End Q4
i12	Enforcement processes	Document enforcement processes.	End Q4
i13	Establish Anti-Competitive Practices rules	Establish Anti-Competitive Practices rules in the sector.	End Q4
i14	n/a	Develop submarine cable application processes (SEACAT initiative)	End Q2
i15	n/a	Create KY Domain registration programmes to grow the registry	End Q3
i16	n/a	Re-license all CSPs and FM radio broadcasters.	End Q4
i17	n/a	Set minimum standards for broadband service in the Cayman Islands.	End Q2



# MEASURING SUCCESS IN WATER

KPI	Common Objectives	Water Specific Objectives	When
w1	Consumer Protection Regulations	Water Consumer Protection Regulations - set standards	End Q2
w2	Truth In Advertising Rules	Implement TIAR across the sector.	End Q4
w3.1	Quality of Service standards	Water QOS - set standards	End Q2
w3.2	Quality of Service standards	Water QOS – set measurement processes	End Q3
w3.3	Quality of Service standards	Water QOS – implement measurements	End Q4
w4	Public Safety initiatives	Develop sector-specific public safety rules/regulations.	End Q4
w5	Protecting Utility Infrastructure	Create a map of all Water infrastructure.	End Q4
w6	Identification of CNI	Identify all Water CNI elements.	End Q4
w7	Protecting buried infrastructure: ClickB4UDig	Ensure all licensees participate in the ClickB4UDig project.	End Q4
w8	Cross sectors disaster preparedness plans	Liaise with HMCI and the Water sector on DR plans.	End Q4
w9	New licensing frameworks	Develop new Water licensing framework.	End Q4
w10	Compliance monitoring	Develop methods to monitor licensee compliance.	End Q4
w11	Investigation procedures	Document investigation procedures.	End Q4
w12	Enforcement processes	Document enforcement processes.	End Q4
w13	Establish Anti-Competitive Practices rules	Establish Anti-Competitive Practices rules in the sector.	End Q4
w14	n/a	Issue new CWC Licence	End Q2
w15	n/a	Issue new WAC License	End Q3
w16	n/a	License all private water producers	End Q4
w17	n/a	Secure long-term funding for the Water sector	End Q4

# Appendices

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+ *A. Abbreviations*

+ *B. Budget 2019*

+ *C. Legislative Agenda 2019*

04



## Appendix A - ABBREVIATIONS AND ACRONYMS

CIRT-KY	Cyber Incident Response Team, Cayman Islands
CNG	Compressed Natural Gas
CNI	Critical National Infrastructure
CSP	Communications Service Provider
CUC	Caribbean Utilities Company
CORE	Customer-Owned Renewable Energy programme
CWC	Cayman Water Company
DER	Distributed Energy Resource
DNSSEC	Domain Name System Security Extensions
DS Law	Dangerous Substances Law
ENS	Emergency Notification System
ERA	Electricity Regulatory Authority
EAS	Emergency Alert System
EPC	Energy Policy Council
ESR Law	Electricity Sector regulation Law
FMR Law	Fuels Market Regulation Law
ICT	Information and Communications Technology
ICTA	Information and Communications Technology Authority
ICT Law	Information and Communications Technology Law
IRP	Integrated Resources Plan
ITU	International Telecommunication Union
KPI	Key Performance Indicator
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MW	Mega Watt
NEP	National Energy Policy
NRA	National Roads Authority
OFREG	Utility Regulation and Competition Office
PAL	Public Authorities Law
PI	Petroleum Inspectorate
QOS	Quality of Service
RE	Renewable Energy
RFP	Request for Proposal
URC Law	Utility Regulation and Competition Law
WAC	Water Authority Company
WSR Law	Water Sector Regulation Law

## Budget and ensuring value for money

- a. The Office's financial year is aligned with the calendar year.

### 2019 Revenues

- b. The Office was an amalgamation of the ICTA, ERA and PI and its remit has been expanded to include responsibility for regulating the water and fuels sectors.
- c. Pursuant to the URC Law and Sectoral Laws and according to best practices in other jurisdictions, it is anticipated that each sector shall as far as possible and reasonable bear the Office's costs for regulating that sector and all overheads and other common costs should be allocated transparently across the sectors. In allocating costs and expenses, the Office shall use its best endeavours to allocate directly incurred costs and expenses to the regulated sector to which they relate or where relating to a number of regulated sectors, to each of the regulated sectors to which they relate in proportion to the burden from each of the regulated sectors. Indirectly incurred costs and expenses shall be allocated on a reasonable and transparent basis.
- d. The guidance from the URC Law and Sectoral Laws as well as practices established by the legacy regulators is that:
  - a. The Office's revenues are primarily derived from regulatory fees pursuant to the Sectoral Laws;
  - b. The regulatory fees are expected to remain stable over the medium term and should cover the costs of regulating the respective sector;
  - c. The level of regulatory fees is prescribed in licences; and
  - d. It is intended the Office shall establish and maintain a reserve fund.
- e. The Office believes this is a prudent approach for revenue generation that will allow it to plan with greater certainty over the short to medium term.

- f. In 2019, the following new expenses will have to be covered by revenue:
- a. Establishing an Innovation Group which is prescribed in the Law;
  - b. Increased Software licensing costs for a new Customer Relationship Management system;
  - c. Fees for the implementation of Quality of Service Standards (QOS) for the ICT Sector
  - d. Fees to assess market dominance remedies in the Fuels Sector;
  - e. Fees to conduct a Cost of Service Study (COSS) for E&U and Fuels Sectors; and
  - f. Fees to conduct a Spectrum Audit of all three islands.
- g. Accordingly, it is anticipated the Office's revenue requirements from Licences (i.e., regulatory fees in electricity, ICT and water sectors, and regulatory fees and import permit fees in the Fuels sector) for 2019 will be \$4.6 million, which is approximately \$1.7 million greater than the \$2.9 million in revenue forecasted for 2018. The Office projects total revenue of \$6,539,014 for 2019, and a budget surplus of \$1.3 million. Planned contributions to the Reserve Funds for 2019 is nil.
- h. Table 1 compares the Office's 2018 forecasted revenue to the 2019 budgeted revenue from Licences while Table 2 compares total budgeted revenue per year per sector:

**Table 1: 2018 Forecasted and 2019 Budgeted Revenue from Licences**  
(in Cayman Islands Dollars)

<b>Sector</b>	<b>2018 Revenue</b>	<b>2019 Revenue</b>
ICT	1,760,629	1,970,000
Electricity	1,030,322	1,200,000
Fuels	69,726	151,775
Water	-	1,246,410
Combined	2,860,677	4,568,185



**Table 2: 2018 Forecasted and 2019 Budgeted Total Revenue**  
*(in Cayman Islands Dollars)*

<b>Sector</b>	<b>2018 Revenue</b>	<b>2019 Revenue</b>
ICT	2,164,881	2,314,822
Electricity	1,062,658	1,285,486
Fuels	1,692,967	1,603,523
Water	16,605	1,335,183
Combined	4,937,111	6,539,014

- i. The only assured revenue streams available to the Office are through the levying of regulatory fees, and more recently, output fees from Cabinet to cover the regulator’s costs in the fuel sector (for 2018). Therefore, in order to ensure sector revenue streams meet requirements, the Office must modify the ICT fee structures and introduce appropriate measures for the water and fuels sectors. The Office intends to adopt the following strategies to meet its medium-term revenue requirements:
- For the ICT sector, remove the \$600,000 cap in regulatory fees;
  - For the water sector, complete negotiations with CWC and the WAC to provide for regulatory fees of \$570,000 and \$689,000 respectively to be implemented in Q1 2019; and
  - For the fuels sector, work is ongoing for the introduction of long-term sustainable funding to be implemented;
  - For the energy sector, issue a new licence to CBP&L, and levy appropriate licence & regulatory fees;
  - Across all sectors, proactively monitor licensee compliance and vigorously pursue & enforce compliance with licence conditions, regulations, and provisions of the various applicable laws.



## 2019 Expenses

### Combined Expenditures

- j. Table 3 compares 2018 unaudited actual operating and capital expenditures to the 2019 budgeted operating and capital expenditures for the Office.

**Table 3:** Combined 2018 Unaudited Actual and 2019 Budget  
(in Cayman Islands Dollars)

<b>Expenses</b>	<b>Forecast 2018</b>	<b>Budget 2019</b>
Staff Payroll	2,157,191	2,290,104
Directors' Fees	154,000	186,500
Consultancy & Professional Fees	548,523	560,200
Legal Fees	183,891	100,000
Travel and Subsistence	146,521	80,760
Lease of Property & Equipment and Utilities	357,257	330,607
Training & Scholarships	93,645	141,517
Insurance	19,557	32,500
Employee Health Insurance	353,742	416,106
Pension Contributions	275,838	297,714
Depreciation	140,594	196,523
IT Costs	79,822	142,683
Other Staff Costs	44,800	63,806
Other Operating Expenses	196,626	225,563
<b>Total Combined Operating Expenses</b>	<b>4,752,007</b>	<b>5,064,583</b>
Capital Expenditures	27,857	425,830

- k. The Office's total combined operating expenses for 2019 will be up CI\$312,576 due mainly to higher Staff Payroll, IT Costs and Employee Health Costs. These increases were partially offset by lower Travel and Subsistence and lower legal fees when compared to the unaudited actual for 2018. Explanations of significant changes from Table 3 are set out below:
- a. *Staff Payroll* will increase by 6% as a result of a full year of personnel costs incurred for 2018 staff additions, the addition of a Manager Consumer Affairs and Public Education in 2019 and proposed salary adjustments.
  - b. *Directors' Fees* are up by 21% when compared to 2018 due to the future appointments of an additional Board Member (in accordance with the URC law section 14(3) and the PAL section 9) and a Risk & Audit Subcommittee Chairman.
  - c. Legal Fees are down by 46% reflecting the conclusion of the Judicial Review in the matter of the decision regarding a telecommunications licensee.
  - d. Spending on *Travel and Subsistence* costs is down by 45% based on reductions in planned international travel.
  - e. *Training Costs* are up by \$47,872 to \$141,517 due to the Office's continued commitment to developing and equipping employees with additional skill sets to meet sectoral regulatory objectives. The average cost of training per employee in 2019 is approximately \$5,661 vs \$4,131 in 2018.
  - f. *Employee Health Insurance* costs are up by 18% when compared to 2018 due to a full year of costs incurred for 2018 staff additions and an anticipated increase in health insurance premiums.
  - g. *Pension Contributions* are up by 8% or \$21,876 due to a full year of personnel costs incurred for 2018 staff additions and proposed salary adjustments.
  - h. *IT Costs* are up by 79% or \$62,861 due to upgrades to technology which includes licensing costs for the Customer Relationship Management system.

Budgeted capital expenditures are up \$397,973 in 2019. Over 50% of the capital expenditure in 2019 is due to the implementation of QOS for the ICT sector.



## Sectoral Expenditures

l. For the ICT sector, Table 4 shows budgeted operating expenditures down 6% for 2019 to \$1,946,977.

**Table 4:** ICT Sector 2018 Forecast and 2019 Budget  
(in Cayman Islands Dollars)

<b>Expenses</b>	<b>Forecast 2018</b>	<b>Budget 2019</b>
Staff Payroll	812,138	897,260
Directors' Fees	56,913	71,177
Consultancy & Professional Fees	353,719	167,365
Legal Fees	183,891	50,000
Travel and Subsistence	92,283	38,750
Lease of Property & Equipment and Utilities	132,030	126,379
Training	44,306	59,158
Insurance	7,228	12,414
Employee Health Insurance	121,789	151,349
Pension Contributions	101,920	116,644
Depreciation	51,958	94,951
IT Services	29,593	54,710
Other Staff Costs	12,441	18,719
Other Operating Expenses	79,648	88,101
<b>Total Combined Operating Expenses</b>	<b>2,079,857</b>	<b>1,946,977</b>
Capital Expenditures	10,307	342,295

m. Explanations of significant changes in ICT sector expenses from Table 4 are set out below:

- a. *Staff Payroll* in 2019 is up 10% as a result of a full year of personnel costs incurred for 2018 staff additions, the addition of a Manager Consumer Affairs and Public Education in 2019 and proposed salary adjustments;
- b. *Consultancy & Professional Fees* are down by 53% or 186,354 as a result of a reduction in the dependency on consultants to complete regulatory objectives;
- c. *Legal Fees* are down by 73% or \$133,891 as a result of the conclusion of the Judicial Review in the matter of the decision regarding a telecommunications licensee.



- d. *Travel and Subsistence* is down by 58% or \$53,533 based on the reduction in planned international travel;
- e. *Employee Health Insurance* expense is up 24% when compared to 2018 due to a full year of costs incurred for 2018 staff additions, one additional staff member in 2019 and an anticipated increase in health insurance premiums; and
- f. *Pension Contributions* are up 14% due to a full year of personnel costs incurred for 2018 staff additions, one additional staff member in 2019 and proposed salary adjustments.
- g. *IT Costs* are up 85% or \$25,117 due to upgrades to technology which includes licensing costs for the Customer Relationship Management system.

n. Table 5 shows budgeted operating expenditures for the electricity sector up 0.5% for 2019 to \$1,057,794.

**Table 5:** Electricity Sector 2018 Forecast and 2019 Budget  
(in Cayman Islands Dollars)

<b>Expenses</b>	<b>Forecast</b>	<b>Budget</b>
	<b>2018</b>	<b>2019</b>
Staff Payroll	530,813	467,819
Directors' Fees	37,161	35,895
Consultancy & Professional Fees	77,825	150,539
Legal Fees	-	16,667
Travel and Subsistence	18,556	12,908
Lease of Property & Equipment and Utilities	86,208	63,541
Training & Scholarships	22,598	34,702
Insurance	4,719	6,251
Employee Health Insurance	97,394	92,151
Pension Contributions	68,001	60,816
Depreciation	33,926	31,612
IT Costs	19,225	27,350
Other Staff Costs	13,504	19,334
Other Operating Expenses	42,917	38,209
<b>Total Combined Operating Expenses</b>	<b>1,052,847</b>	<b>1,057,794</b>
Capital Expenditures	6,686	25,944

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- o. Explanations of significant changes in electricity sector expenditures are set out below:
- a. Staff Payroll is projected to experience a decrease due to the allocation of staff costs in this sector. While total staff payroll costs have increased for the Office, it is anticipated that staff from the Electricity Sector will dedicate more time to the Water Sector in 2019.
  - b. *Directors' Fees* has increased slightly in comparison to the other sectors, due to the lower allocation of costs to the electricity sector;
  - c. *Consultancy and Professional fees* have increased by \$72,714 as a result of engaging external expertise to complete a COSS. COSSs are conducted every 5 years;
  - d. *Legal Fees* has increased by \$16,667. While there is no anticipated litigation for 2019, a contingency has been provided for the electricity sector.
  - e. *Training* expense has increased by \$12,104 in 2019 due to the continued focus on developing and equipping staff with additional skills to meet the regulatory objectives of the sector.

p. For the fuels sector, Table 6 shows budgeted operating expenditures up 22% for 2019 to \$1,286,143.

**Table 6: Fuels Sector 2018 Forecast and 2019 Budget**  
(in Cayman Islands Dollars)

<b>Expenses</b>	<b>Forecast 2018</b>	<b>Budget 2019</b>
Staff Payroll	502,917	540,613
Directors' Fees	40,843	47,898
Consultancy & Professional Fees	84,686	197,453
Legal Fees	-	16,667
Travel and Subsistence	31,740	17,500
Lease of Property & Equipment and Utilities	94,751	84,919
Training & Scholarships	20,934	43,986
Insurance	5,187	8,347
Employee Health Insurance	80,862	92,775
Pension Contributions	66,394	70,280
Depreciation	37,288	42,198
IT Costs	21,131	36,658
Other Staff Costs	14,684	19,334
Other Operating Expenses	53,300	67,515
<b>Total Combined Operating Expenses</b>	<b>1,054,717</b>	<b>1,286,143</b>
Capital Expenditures	7,521	34,908

q. Explanations of significant changes in fuels sector expenditures shown in Table 6 are set out below:

- a. *Staff Payroll* has increased in 2019 by 7% as a result of a full year of personnel costs incurred for 2018 staff additions instead of a partial year, the addition of a Manager Consumer Affairs and Public Education and proposed salary adjustments;
- b. *Consultancy & Professional Fees* are up by \$112,767 as a result of engaging external expertise to assess market dominance remedies in the Fuels Sector and a Cost of Service Study (COSS). Market assessments and COSSs for the Fuels Sector are expected to be completed every 3-5 years;



- c. *Legal Fees* has increased by \$16,667. While there is no anticipated litigation for 2019, a contingency has been provided for the fuels sector.
  - d. *Training* expenses increased by \$23,052 due to the continued focus on developing and equipping staff with additional skills to meet the regulatory objectives of the sector;
  - e. *Health Insurance* is up by 15% due to a full year of costs incurred for 2018 staff additions, the addition of one new staff member, and an anticipated increase in health insurance premiums; and
  - f. *IT Costs* are up 73% or \$15,527 due to higher software licensing costs.
- r. Table 7 shows water sector budgeted operating expenditures up by 37% for 2019 to \$773,670.

**Table 7: Water Sector 2018 Forecast and 2019 Budgets**  
(in Cayman Islands Dollars)

<b>Expenses</b>	<b>Forecast</b>	<b>Budget</b>
	<b>2018</b>	<b>2019</b>
Staff Payroll	311,324	384,412
Directors' Fees	19,083	31,530
Consultancy & Professional Fees	32,293	44,843
Legal Fees	-	16,667
Travel and Subsistence	3,942	11,602
Lease of Property & Equipment and Utilities	44,269	55,768
Training & Scholarships	5,807	3,671
Insurance	2,423	5,488
Employee Health Insurance	53,697	79,831
Pension Contributions	39,523	49,974
Depreciation	17,421	27,762
IT Costs	9,872	23,965
Other Staff Costs	4,171	6,419
Other Operating Expenses	20,762	31,738
<b>Total Combined Operating Expenses</b>	<b>564,587</b>	<b>773,670</b>
Capital Expenditures	3,343	22,684

- s. Explanations of significant changes in water sector expenditures in Table 7 are set out below:



- a. *Staff Payroll* has increased by 23% in 2019 due to the increased allocation of Electricity sector staff members' costs, a full year of personnel costs incurred for 2018 staff additions instead of a partial year, the addition of a Manager Consumer Affairs and Public Education in 2019 and proposed salary adjustments;
- b. *Legal Fees* has increased by \$16,667. While there is no anticipated litigation for 2019, a contingency has been provided for the water sector.
- c. *Employee Health Insurance* expense is up by 49% or \$26,134 due to a full year of costs incurred for 2018 staff additions, the addition of one new staff member and an anticipated increase to health insurance premiums.

## Executive and Non-Executive Remuneration

- t. In accordance with the Office's statutory obligations in section 41(2)(d) of the URC Law, Tables 8 and 9 show the level of Executive and Non-Executive remuneration in 2018 and 2019 respectively.

**Table 8:** Forecasted Executive and Non-Executive Remuneration in 2018  
(in Cayman Islands Dollars)

	<b>ICT</b>	<b>Electricity</b>	<b>Fuels</b>	<b>Water</b>	<b>Combined</b>
Executive	233,405	188,217	209,447	170,824	801,893
Non-Executive	57,651	37,644	41,374	19,331	156,000
Total	291,056	225,861	250,821	190,155	957,893

**Table 9:** Budgeted Executive and Non-Executive Remuneration in 2019  
(in Cayman Islands Dollars)

	<b>ICT</b>	<b>Electricity</b>	<b>Fuels</b>	<b>Water</b>	<b>Combined</b>
Executive	247,188	159,907	230,325	141,625	779,045
Non-Executive	71,177	35,895	47,898	31,530	186,500
Total	318,365	195,802	278,223	173,155	965,545





## OfReg Annual Plan, Appendix C – Legislative Agenda

The Office will ask the Ministry to bring forward various amendments to clarify, enhance and update various provisions in the Utility Regulation and Competition Law (2019 Rev) and the associated sectoral legislation. These may include the enhancement of the confidentiality provisions, the sharing of information with other regulators in region for the better regulation of service providers, and the option to report suspicious transactions when discovered in the accounting records of licensees. Similar provisions are found in the Monetary Authority Law.

Also, the administrative fine regime would be improved if it was to be expanded to cover those service providers who have neglected to apply for a licence to operate or have not applied for a renewal or reinstatement of a previous licence. It would benefit from clearer due process provisions. Thereafter, an increase in the maximum administrative fine to \$2,000,000, and an amendment to the power to enter premises of a service provider with a judicial warrant would assist in enforcement.

The definition of a key phrase in the URCL, 'administrative determination' would benefit from amendment. Currently it is defined in a manner which may include a penal determination or a licensing determination. The unintended consequences are numerous, and include, arguably, a need to consult publicly on a fine to be imposed. An expansion of the definition of 'licence' to include 'permits' would confirm the application of the powers of enforcement in the Fuels sector.

Clarification of the power of the Board of Directors to delegate administrative and regulatory decisions to the Chief Executive Officer would assist the Board and Executive Team.

Amendments to sectoral legislation which will be brought forward to the Ministry include modernising the suite of financial records which must be kept by licensees and the manner in which they are to be presented to the Office. Additionally, the Office in its mandate to support critical national infrastructure, will recommend amendments which will provide that various service providers make and submit for review long term capacity and production plans. The Electricity Sector Regulation Law would benefit from the addition of specifications for the contents of a Power Purchase Agreement. Regulation in the Fuels Sector would be enhanced with an expansion of current reporting obligations in the Dangerous Substances Law to include operators of regulated premises, marinas and permitted vehicles that provide mobile retail fuels sales. The regulation of all sectors would benefit from a provision that requires the licencing of third parties who operate premises where the licence is held by the first party.



The amendment of the Electronic Transactions Law (2003 Rev) is a multi-agency project which will modernise the legislation to take into account current trends in technology including, but not limited to, digital signature, distributed ledger technology and smart contracts. OfReg's role as administrator of Information Security Service Providers would remain unchanged.

Consumer protection remains an important function of the Office. As such the Office will put forward regulations to enhance consumer protection in all sectors.

Some specific issues may be resolved by the completion of new and revised regulations. These may include regulations governing the process of assignment, disposal, sale or transfer of a licence or permit as required under the URC Law for sector participants and new entrants. The Chief Fuels inspector seeks the approval of Cabinet to amend Schedule 7 of the regulations by correcting item number 8. Item number 8 incorrectly referenced regulation 52. It was intended that item number 8 would reference regulations 62, 63 and 64.

END

# End

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