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UTILITY REGULATION AND COMPETITION OFFICE

25 April 2025

**FOR IMMEDIATE RELEASE**

**Subject: URCO Issues Final Determination on CUC's Certificate of Need Submission**

**Regulator Upholds Legal Framework, Ensures Grid Reliability and Preserves Competitive Integrity**

The Utility Regulation and Competition Office (URCO or the "Office") has issued its Final Determination on the Certificate of Need (CON) submitted by Caribbean Utilities Company, Ltd. (CUC), in accordance with and as required by the legal and regulatory framework governing electricity generation in the Cayman Islands.

Following a detailed review process, including technical analysis by third-party consultants, the Office has approved Scenario 1 of CUC's submission – which option provides exclusively for Firm generation capacity - as compliant with the requirements under Condition 29 of CUC's Transmission and Distribution (T&D") Licence. URCO will now move forward with issuing a Request for Proposals (RFP) for 90.1 MW of Firm Capacity, in accordance with the required Generation Solicitation Process. This process was designed to promote and manage competitive bidding for any identified need for additional Firm generation capacity, which CUC is obliged to identify three years ahead of time. Competition for such Firm generation capacity is allowed and is expected to be promoted since CUC's Generation Licence is non-exclusive and the intent of that Licence and the relevant legislative framework has always been to promote competition in electricity generation in Grand Cayman.

**URCO Board Chairman, Samuel Jackson, stated:** *"This process took much longer than would ordinarily be necessary because CUC's submission included alternative proposals for generation which failed to meet both the terms of its T&D Licence and the prescribed format for a Certificate of Need as set out in CUC's Main Agreement. Despite this, given the now urgent need to address grid stability, which is due to the failure of CUC in previous years to submit a CON in accordance with its Licence, the Board decided to treat CUC's submission as a Certificate of Need. The Board was nonetheless constrained by CUC's Licence and the legislative framework to only authorise the one option in the proposal for electricity generation which conforms to CUC's Licence, namely the option of 90.1 MW of Firm generation. In so doing, we were mindful of our duty to protect the public interest by, inter alia, promoting competition in electricity generation, in accordance with the relevant statutory provisions and CUC's Generation Licence."*

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## Summary of CUC's Submitted Scenarios

CUC submitted four scenarios as options to meet the need for additional generating capacity:

- **Scenario 1:** 90.1 MW of new thermal (Firm) generation capacity. *This is compliant with licence terms and recommended by the Office.*
- **Scenario 2:** A blend of Firm capacity and standalone solar generation. *This option is not compliant with Condition 29.1 of CUC's T&D Licence insofar as it includes a component of non-firm renewables generation.*
- **Scenario 3:** A mix of Firm and hybrid solar-plus-storage generation. *This option is not compliant with condition 29.1 of CUC's T&D Licence insofar as it includes a component of non-firm renewables generation*
- **Scenario 4:** A portfolio combining hybrid solar-plus-storage with no new Firm generation. *This option is not compliant with Condition 29.1 of CUC's T&D Licence insofar as it includes a component of non-firm renewables generation.*

The Office determined that Scenarios 2 through 4 involved intermittent ("non-firm") resources which, even when paired with storage, do not qualify as Firm capacity under the terms of the current CUC T&D Licence established by the Cayman Islands Government, which CUC is bound to comply with and URCO is required to ensure compliance with. While CUC suggested that these hybrid configurations meet system reliability requirements, it ironically simultaneously described them as separate from Firm capacity within its own submission.

**Sonji Myles URCO ICEO stated:** *"CUC's own submissions makes the distinction between Firm and hybrid generation clear. If CUC believes it is time to redefine what qualifies as Firm capacity, that requires a formal, transparent process to amend the licence - not a request to reinterpret it midstream to fit a preferred outcome."*

## Sustainable Renewables Remain a Focus

URCO also wishes to dispel any perception that this Determination is a step back from renewable energy adoption. The Office is just weeks away from launching its RFP for the largest Renewable solicitation project ever in the Cayman Islands and there will without a doubt be future solicitations for renewable energy project, which will be proposed and processed in accordance with the applicable provisions of the relevant licences and legislation, rather than pursuant to a Condition 29.1 CON.

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**Mr. Myles added:** *“This is not a rejection of renewables - it is a defence of process and fairness. We are already advancing a 22.5 MW renewable dispatchable solar-plus-storage project through a competitive process and more will follow later this year.”*

## Looking Ahead

The Office is committed to supporting the national imperatives and directives for renewables and the transition to a cleaner, more resilient energy future. However, given the forecasted retirement of 37.2 MW of existing Firm capacity and the 25 MW of temporary generation units which CUC has imported as a backup for any generation shortfall, there is an immediate need to secure stable generation capacity. The approval of Scenario 1 ensures that CUC will be able to meet demand reliably, especially during peak hours and adverse weather conditions.

URCO will shortly issue the RFP for 90.1 MW of Firm capacity and invites all qualified bidders - including CUC - to participate. The Office also reiterates its commitment to transparency, procedural fairness and long-term sector development as it continues to regulate in the public interest.

# MEDIA Q&A – Final Determination on CUC’s Certificate of Need

## Q1: What is a Certificate of Need (CON)?

A CON is a formal document submitted by CUC to the regulator to demonstrate the need for additional Firm generation capacity three years in advance of the projected need. Once the CON is approved, that triggers a competitive bidding process under the rules outlined in CUC’s Transmission and Distribution Licence and the Main Agreement.

## Q2: What did CUC submit to OfReg?

CUC submitted four scenarios, proposing varying combinations of generation:

- **Scenario 1:** 90.1 MW of thermal Firm generation (approved)
- **Scenario 2:** Firm capacity + standalone solar

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- **Scenario 3:** Firm + hybrid solar + storage
- **Scenario 4:** Hybrid solar + storage with no new Firm

Only Scenario 1 complied with the provisions of Condition 29.1 of CUC's T&D Licence as it was comprised entirely of "Firm Capacity". The other scenarios involved intermittent resources and as such fell outside Condition 29.1.

**Q3: Why did it take so long to reach a decision?**

CUC's CON submission did not meet the required format or content standards set by its licensing framework. This forced the Office to take additional steps to evaluate the submission, including commissioning an independent technical review for advice on the "hybrid" options, which it would not have had to seek if CUC had followed its licence mandate. Despite this, after carefully considering the technical advice as well as carefully considering the provisions of CUC's Licence and the relevant statutory provisions, URCO decided to accept CUC's Scenario 1 proposal as a CON- legally compliant.

**Q4: Does URCO support renewable energy?**

Yes, absolutely! This Determination does not preclude renewable integration. The Office is in the final stages of issuing a 22.5 MW dispatchable solar-plus-storage project in the next 60 days along with plans for further renewable solicitations. This decision on the CON simply ensures that the requisite generation is introduced fairly and transparently, through open competition.

**Q5: Can renewables be under a CON Solicitation?**

Allowing CUC to introduce non-firm renewables through a CON designed for Firm generation would offend the provisions of the CUC Licence and mixing non-firm renewables with Firm ("thermal") generation would undermine the competitive process for Firm generation and stymie competition in utility scale energy generation. If CUC wants to introduce non-firm renewables, it must do so in accordance with Condition 32 of its T&D Licence, and if it wishes to bid on the 22.5 MW dispatchable solar-plus-storage project, it must do so just like any other potential renewable energy provider. This protects fairness and market integrity.

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**Q6: What happens next?**

URCO will now issue an RFP for **90.1 MW of Firm Capacity**, open to CUC and other qualified bidders. The process will follow strict evaluation criteria under the Generation Solicitation framework. Additional renewable capacity RFPs will proceed in parallel.

**Q7: Will this impact electricity prices?**

The goal of this procurement is to ensure grid reliability, competitive pricing, and long-term cost-effectiveness for consumers. By following a competitive process, URCO ensures the best outcome for system efficiency and consumer affordability. As all bidders will have to be competitive in their proposals.

**A copy of the Determination can be found here:**

<https://www.ofreg.ky/consultations/eu-2025-2-final-determination-cuc-certificate-of-need>

ICEO, Mr. Sonji Myles



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