

OCTOBER 21, 2024



**STRICTLY PRIVATE & CONFIDENTIAL**  
MINUTES OF GENERAL BOARD MEETING  
HELD 12 SEPTEMBER 2024

BOARD SECRETARY  
OFREG



# Utility Regulation and Competition Office

## Board Meeting Minutes – General Board Meeting #5 of 2024

# Minutes

### Meeting Details

<b>Meeting Date:</b>	12 September 2024	
<b>Time:</b>	0930 hrs – 1630 hrs	
<b>Minute Taker:</b>	Joanne Conolly, Board Secretary	
<b>Venue:</b>	OfReg Conference Room	
<b>Attendees:</b>	OfReg: Samuel Jackson, Chair Frank Balderamos, Deputy Chair Osbert Francis, Member Gavin Baxendale, Member Wrendon Timothy, Member Sonji Myles, CEO/EDI	For CUC: Sacha Tibbetts (ST) Stephen Jay (SJ) Richie Hew (RH) Letitia Lawrence Judith Bennett Jason Burke
<b>Apologies:</b>	Alison Maxwell, AGC	
<b>Microsoft Teams:</b>	<b>Microsoft Teams <a href="#">Need help?</a></b> <b><a href="#">Join the meeting now</a></b> <b>Meeting ID: 294 781 988 076</b> <b>Passcode: qN4Ntm</b>	Natasha Bodden, Member Mike Gibbs, Member

### Agenda Details

AGENDA OVERVIEW	
1. <b>General</b>	Welcome & Declarations of Interest
2. <b>Minutes of Previous Meeting</b>	General BoD mtg #08 5 August 2024
3. <b>ICEO Report</b>	ICEO to present
4. <b>Legal Advice</b>	GC to present
5. <b>CUC Visit</b>	11am – 12pm Temp Gen CORE
6. <b>Sector Matters</b>	6.1 Fuels Dashboard 6.2 E&U 23MW DPV RFP BTS1 Sale to Interenergy IEL RCAM
7. <b>AOB</b>	Organisation Chart
8. <b>Adjournment &amp; Date of Next Meeting</b>	4.30pm scheduled finish 10 October 2024 scheduled meeting date

## Meeting Minutes

1.	<b>General</b>		1
1.1	Welcome	Meeting Called to Order with quorum at 9.41am	2
1.2	Declarations of Interest	None	3
2.	<b>Minutes of Last Meeting</b>	<b><i>Motion to approve the last General Board Meeting minutes as amended. Moved by Member Timothy. Seconded by Member Francis. All in favour, no objections.</i></b>	<b>D4</b>
3.	<b>ICEO Report</b>	• Points raised dealt with in AOB below (#7 48-51).	5
4.	<b>Legal Advice</b>  Redacted under s17(1)(a) FOI Act (2020 Revision)	• Dr Epp addressed the meeting in respect of his report contained within the Board folder. [REDACTED]	6  <b>D7</b>
5.	<b>CUC visit</b>  Section 5 Redactions under s23(1) FOI Act (2020 Revision)	<ul style="list-style-type: none"> <li>• Chair put forward items for discussion: temp gen and CORE+ (including RESC).</li> <li>• Discussion around legal obstacles for temp gen and the provision of law which speaks to granting for disastrous events only, and how the previous 2 tranches have been granted appear to set a bad precedent, which will not be followed. OfReg are committed to working with CUC to find a solution. Chair will put together a letter to CUC by way of explanation, detailing OfReg's advised position and await CUC's response.</li> <li>• [REDACTED] told the meeting he did not think requests for temp gen would result in legal opinion, and that at a high level it was CUC's obligation under their licence to plan for a reliable electricity service and providing a projected 3-year plan meant if they anticipated additional capacity would be needed, they would be required to make application for it, to trigger the process. In his opinion he stated that CUC has met their obligation to provide for a reliable electricity service by presenting OfReg different alternatives to ensuring adequate electricity supply was maintained on GC by adhering to business prudence. He stressed that you cannot apply for additional capacity immediately before an event or when you recognise capacity is being met. This is something that must be planned, hence the projected requirement.</li> <li>• [REDACTED] confirmed the temp gen units which had been the subject of the application to OfReg were on island and were already connected and up and running, dispatching to the grid as and when required. Chair queried the basis for CUC thinking they had the right to install additional generation without it being licensed. [REDACTED] told the meeting lights would already have been off on GC if the temporary generation had not been brought into play. [REDACTED] explained there were always incidents happening with power steers, and units being down. This may be due to forced outage, maintenance or transformers failing prematurely which they had anticipated would be good for some 30 years. One such unit is currently out of commission, and the manufacturer is unable to supply replacement parts. When carrying out the</li> </ul>	8  <b>A9</b>  10  11

	Section 5 Redactions under s23(1) FOI Act (2020 Revision)	<p>lifecycle upgrade, machines will also have downtime. Chair expressed frustration that a proper process was not being observed for changes to CUC's generation.</p> <p>■ gave presentation, explaining that the largest generator is the mw amount you need to cover, in case that generator has downtime. The peak this year so far has been 129mw. Any time less than 25mw of spinning reserve is left on the system, this causes concern. The largest unit is 18mw and if this trips it may take a couple of the smaller units also, and then CUC needs to hold enough reserve to maintain capacity. ■ explained spinning reserve for solar when in use; a unit frequency wobble - if solar has not been compliant with their request for minimum standards - will bump off the whole system and in addition to diesel generation going down, so will roof top solar. Chair asked if this was the same the wobbling previously raised by CUC in respect of inverter issues and installers not programming them correctly.</p> <ul style="list-style-type: none"> <li>• Chair asked CUC whether solar was being factored into the 165mw reserve they hold. It was confirmed that 165mw is firm diesel power capacity. ■ told the meeting that having 165mw capacity, for a 129mw peak would appear to mean there is plenty of reserve, however at this current time the island is approaching the position where there will not be sufficient in reserve, and they have reached the 35% minimum reserve detailed in CUC's licence. At the rate demand is currently growing, this will drop to 20% in the next few years. On 29 occasions this year, CUC had loads operating on a much lower level reserve than they should be operating at.</li> <li>• OF asked of the 165mw reserve how much was not temporary generation. ■ confirmed on top of the 165mw there was 10mw of temporary generation available. Discussion around the definition of 'firm' power.</li> <li>• Chair pointed out to CUC that OfReg should not be receiving annual requests for temp gen, especially with some now not even being licensed and not going through the solicitation process, which is a condition of s32 of CUC's licence. ■ told the meeting in 2021 CUC triggered a process which was an alternative for procurement of power through a competitive process run by the regulator, and that was refused. The 23mw renewables project. Chair indicated this would not have avoided the issue with temp gen, as this offering was renewable energy which does not absolve CUC under their licence at s31.</li> <li>• Discussion around the non-issuance of the RFP and whether a battery can be defined as firm power under the T&amp;D licence, or an asset.</li> <li>• Discussion about the current licence and requirements for change to clauses, including s31 which needs to be updated, and inclusion of additional definitions of firm power.</li> <li>• ■ indicated CUC are looking to produce electricity with reliability and least cost, taking into account the climate imperative which is being pushed by Gov't policy. The solution on CO2 reduction, solar plus energy storage is lower cost and natural gas is also lower cost. CUC indicated OfReg in 2021 had</li> </ul>	<p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p>
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	Section 5 Redactions under s23(1) FOI Act (2020 Revision)	<p>accepted an alternative proposal put forward as a replacement for a CON – the solar plus storage.</p> <ul style="list-style-type: none"> <li>Chair asked CUC whether, now they have had the benefit of implementing the battery storage (BESS), were they satisfied based on what they have derived, that that is a suitable alternative. ■ indicated BESS serves a different purpose as it cannot count as capacity, merely to reduce the spinning reserve of 25mw. So with BESS being charged and ready, with any diesel out of commission, should a unit trip, the 25mw battery would be online straight away with no power outage necessary. This battery would only last for around 1 hour. ■ was of the opinion that it was plausible battery generation would be as reliable as diesel to replace a significant margin reserve with batteries. One issue CUC has with the batteries are condensation which they are working with the manufacturer to resolve.</li> <li>■ confirmed that if there was no more temp gen until a CON was implemented, there would not be enough reserve to run a stable grid. ■ confirmed that utilizing temp gen means CUC dealing with multiple small units which means more maintenance, environmental risk, etc and they would prefer not to be use them.</li> <li>■ continued his presentation, and showed that most other Caribbean nations are in the 40-60% reserve margin bracket, whilst CUC is at 35%. Barbados has 80%, St Maarten has over 100% (they are government owned). Texas for example have a peak of 85 but have installed capacity of 148 which is a 71% reserve margin, so a lot of other nations are running at a lot more capacity than CI.</li> <li>WT asked about analysis based on size of country, population and power used. ■ explained CUC first had 25-30mw usage with a 65% reserve margin in the licence. So at 30mw the largest units making up that power were 3.5-4mw each. Then for fuel efficiency 10mw units were brought in, so CUC looked at limiting the size of generation unit as a % of the overall peak demand as you would not want to go larger than 20% of the largest unit. For a 30mw peak if you have 3 x 10mw units and a 20% reserve, if one unit goes down you have lost 1/3 of your generation ability and you would begin to see outages. Chair asked if the reserve margin in the licence needs to be changed now and a 45% margin was discussed.</li> <li>CUC informed the meeting they had submitted a 3-year plan to negate temp gen by having solar plus storage for 23mw in 2022. Then again last year and again this year it was proposed. Chair confirmed 5mw in 2021, 5mw in 2022 and 10 in 2024 with ■ confirmed the projected peak for 2025 had been it already so 5mw were brought forward early.</li> <li>Discussions around the pass through costs and the Z factor detailed in the licence being applied to temporary generation, and the meaning of Condition 31 of the CUC T&amp;D Licence, which provides for the general solicitation process, which in OfReg's view is not constrained to CUC purchasing engines, but applies to any firm power (typically diesel generation power),</li> </ul>	<p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p>
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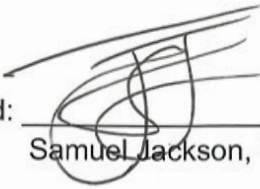
	<p>Section 5 Redactions under s23(1) FOI Act (2020 Revision)</p>	<p>which in OfReg's view means there is no ability to use the Z factor or the fuel and lube pass through provisions unless that complement of generation is permitted. There needs to be found a way to permit it to be utilised.</p> <ul style="list-style-type: none"> <li>• Discussion around generation in Cayman requiring to be licensed by OfReg and CUC's view that any owned generation would have to be. ■ mentioned stand by generation roof top solar etc. Chair explained this is self-supply which anyone is entitled to do, but when CUC are placing it into the grid and selling it to customers, this would appear to be a grey area which needs to be addressed.</li> <li>• In discussing CORE, Chair informed CUC that the BoD had listened to a presentation on the subject, which informed OfReg that they need to look at historical events around CORE and decisions the Office had made.</li> <li>• CUC ran through a presentation in respect of CORE and discussion around the rates at the time in 2009, when representations were made to ERA, with a price of \$5-6 per watt with a \$2 fuel factor which was not enough to pay for CORE although it would be cost-neutral to consumers. CUC calculated a rate based on the cost of renewable energy systems and some fair return of around 8-9 years on investment which CUC created in 2011 at around 38.5c which both they and OfReg agreed was too much. When it was released with the 1mw being capped in different tranches it was well-received. The costs were going down with each tranche, therefore the price went down, although this was effectively a subsidised rate. Fixed tranches were implemented to see what impact there would be on the grid. Then the DER programme started with larger systems for a cost neutral programme with no subsidy, which appealed to commercial customers. OfReg made a calculation of 13.4c which was when a SPAC meeting was held and following CREA pushing for 24c, OfReg's 15-17c went through on a 10mw programme and every time it was opened up at 15c it was well received. There were stops and starts in the programme, with non-standard inverters falling off the grid randomly and these events were impacting frequency. CUC had an impact study completed showing CORE was running at 15c with fuel at 19/20c so CORE finally started to show a discount.</li> <li>• Discussion on CUC's RESC project with no subsidy from customers, and with fuel being more expensive now, if a consumer generates power and uses it on their site, they do not pay CUC for the fuel for that power, they merely use their own. ■ indicated it would be treated on size limits ie 250mw maximum like DER, as it takes CUC's definition into account of what a commercial generator is, thus reducing the consumer scale for residential customers. There is also a threshold in the T&amp;D code for interconnection studies which is different to CORE at 10mw, this is 30mw. If consumers over-produce they will get rates at a lower price than an average user. Chair asked if this was another way to get net metering, but ■ indicated this was still net billing. Sample bills were shown on screen to explain how usage on a large home will be billed, with a mw amount</li> </ul>	<p>25</p> <p>26</p> <p>27</p> <p>28</p>
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	Section 5 Redactions under s23(1) FOI Act (2020 Revision)	<p>being produced at home and going back into the grid and how those costs and benefits would be displayed. CUC claim RESC would provide fixed rate guarantees for the owner with a simple programme.</p> <ul style="list-style-type: none"> <li>Differences between RESC and CORE were discussed, with CUC stating that those on CORE would stay with it as it was a contracted system; CORE may be subject to sunset; value is an uncertain number in CORE; big challenge with bankability of savings. RESC would be for new consumers moving into the space, with less strict capacity limits with RESC incentivising storage. ST told the meeting that if there was a situation where the cost of energy at night is higher because there are no storage costs throughout the day, there may be a situation where that rate takes the night load off the grid, the consumer gets a better credit, and there is storage available which you cannot have with CORE.</li> <li>█ indicated that over the next 5 years and the projects planned to displace diesel fuel usage the savings for retail and commercial will amount to \$35-40M per year. Of CUC can get to the CON in 3 years and get an RFP out, by May 2027 having lots of renewable energy on the grid, they can do programmes to add another 20 or 30mw in a larger scale for commercial size usage it will bring down the cost further.</li> <li>█ spoke about CUC's RESC and the lateness with which they had received notification regarding Board's insistence that CUC must bid through a separate entity, with the Chair confirming a BoD decision was made in March on that and the EDE was instructed to relay that decision to CUC at that time. Chair indicated the RFP would be issued soonest, with some fine points being addressed currently. █ indicated that as CUC had only just become aware of the notice of intention, then they consider themselves disadvantaged. Chair confirmed if CUC won a bid, they could create a subsidiary company in order to operate. █ informed the meeting that there would be a challenge with this delivery as costs of financing would be higher, so it would mean taking the least cost option off the table. WT requested CUC walk the BoD through the rationale behind that statement. █ informed the meeting that CUC has a particular credit rating which means their bid can be lower, and █ confirmed regulated utilities are an investment class for shareholders and lenders look at them in a certain way, as capital intensive they attract certain lenders and investors looking for stability, dividends, etc. A subsidiary would have none of these benefits and attract a lower credit rating, with no stability and higher risk.</li> <li>Chair indicating, as the meeting time had run short, that once OfReg's letter was with CUC, they should write back as quickly as possible with their concerns which will be taken into account.</li> </ul>	29  30  31  32
6.	Sector Matters		33
6.1	Fuels		34
6.1.1	Dashboard	<ul style="list-style-type: none"> <li>DCFI talked the BoD through the Dashboard.</li> </ul>	35

	Section 6.1.1 Redactions under s23(1) FOI Act (2020 Revision)	<ul style="list-style-type: none"> <li>• He provided the traffic and criminal police clearances for [REDACTED] in respect of his request for a licence for [REDACTED]. Based on the previous Board Paper and information, a vote to confirm licensing [REDACTED] was pending. <b>WT moved the motion to afford [REDACTED] a licence to transport empty LPG canisters on behalf of [REDACTED] with annual inspection and application for a vehicle operator's licence. All in favour, no objections. Motion carried.</b></li> <li>• Jack's Esso II. Letter to [REDACTED] outstanding. DCFI to send a letter to [REDACTED] as per #47 on 12Sept24 BoD minutes.</li> <li>• Fuel price charges analysis. EDE explained Gov't response awaited as relates to ICT which were the first submitted, with the expectation once approved these could be recycled for other sectors. ICEO confirmed OfReg can establish those regulations without going to Gov't. Suggestion to Gazette and roll out for other sectors.</li> <li>• Inspection &amp; Permit Issuance Programme. ICEO informed the meeting it was intended to complete this every month as an ongoing exercise. ICEO discussed funding and looking at fees currently paid to DCI.</li> <li>• DCFI informed the Board that the FSC are meeting on the 26<sup>th</sup> September to agree the standards which will then be published.</li> <li>• BoD discussed the sharing of Clean Gas's infrastructure. Chair pointed out they would be facilities owned by a retailer, not part of infrastructure and when s15 of the Constitution is considered, it would appear interference with their property in this context would not be possible.</li> </ul>	D36 37 38 39 40 41
6.2	E&U		42
6.2.1	Dashboard	• AEDE took the BoD through the dashboard.	43
6.2.2	BTS1 Sale to Interenergy	• Following discussion, the Board requested E&U requested KYC information via a third party registered AML provider.	44
6.2.3	IEL RCAM	• E&U to reach out to IEL for historical financials.	45
6.3	ICT		46
6.3.1	Dashboard	• No dashboard provided.	47
7.	AOB		48
7.1	Organisation Chart	• Iteration #7 agreed unanimously by the BoD. To be handed to the HR&R Committee for finalising the CEO JD.	49
7.2	Directors & Officers Liability	• CEO confirmed to BoD it had been retained for a further year.	50
7.3	Bodden Shipping Pilots	• GB asked CEO to update position. Ministry of Ports and Tourism are considering options for a national pilot scheme.	51
8	Adjournment and date of next meeting	Next General BoD meeting set for Thursday 10 October 2024 at 0930hrs. Meeting was brought to a close at 1742hrs.	52



Signed: \_\_\_\_\_

A handwritten signature in black ink, appearing to be 'S. Jackson', written over a horizontal line.

Samuel Jackson, Chairman

Signed: \_\_\_\_\_

A handwritten signature in purple ink, appearing to be 'Joanne Conolly', written over a horizontal line.

Joanne Conolly, Secretary