

PUBLISH DATE [.], 2024



STRICTLY PRIVATE & CONFIDENTIAL
MINUTES OF GENERAL BOARD MEETING HELD
20 FEBRUARY 2025

BOARD SECRETARY
OFREG



Utility Regulation and Competition Office

Board Meeting Minutes – General Board Meeting #02 of 2025

Minutes

Meeting Details

Meeting Date:	20 February 2025
Time:	0900 hrs – 1230 hrs
Minute Taker:	Joanne Conolly, Board Secretary
Venue:	OfReg Conference Room
Attendees:	<u>OfReg Voting Board Members</u> Samuel Jackson, Chair Natasha Bodden, Deputy Chair Frank Balderamos, Member Mike Gibbs, Member Osbert Francis, Member Wrendon Timothy, Member <u>OfReg Non-Voting Staff</u> Sonji Myles, ICEO/EDI Alison Maxwell, AGC McCleary Frederick, EDE, for item 3.2.3 only Dwayne Tucker, ADDE, for item 3.2.3 only
Apologies:	Gavin Baxendale, Member

Agenda Details

AGENDA OVERVIEW	
1. General	Welcome & Declarations
2. Minutes of Previous Meetings	2.1 Special BoD mtg #01-16Jan25 2.2 General BoD mtg #01-23Jan25 2.3 Special BoD Mtg #02-13Feb25
3. Sector Matters	3.1 Fuels 3.1.1 Dashboard 3.2 Energy 3.2.1 Dashboard 3.2.2 CUC Temp Gen 3.2.3 CUC CON 3.2.4 CUC CIP 3.2.5 L&R Fee Adjustment 3.2.6 CUC Z Factor Rate 3.3 ICT 3.3.1 C3 3.3.2 ICT Consumer Protection Regulations

	3.3.3 Satellite Internet Service Provision (update) 3.3.4 Dashboard & Compliance
4. ICEO Report	4.1 Output fees/Royalty set-off (update) 4.2 Enterprise Risk Management – Report, Policy & Register 4.3 Finance Report – Nov 2024
5. Legal Advice	5.1 Legal Dashboard
6. AOB	6.1 Board Directives and Policy for Secretary
7. Adjournment & Date of Next Meeting	4.30pm scheduled finish 13 March 2025

Meeting Minutes

1	General		1
1.1	Welcome	The meeting was called to Order at 0937hrs.	2
2	Minutes of Previous Meetings		3
2.1	Decision	<i>The Board unanimously approved the Special BoD meeting minutes dated 16 January 2025, as amended.</i>	D1
2.2	Decision	<i>The Board unanimously approved the General BoD meeting minutes dated 23 January 2025, as amended.</i>	D2
2.3	Decision	<i>The Board unanimously approved the Special BoD meeting minutes dated 13 February 2025, as amended.</i>	D3
3	Sector Matters		4
3.1	Fuels		5
3.1.1	Dashboard	<p>BoD requested clarification in respect of regulations for fuel storage and inspections related to generators. In the absence of the DCFI, the ICEO broke this down:</p> <ul style="list-style-type: none"> • Operating Permit: If you are storing a certain amount of fuel in a tank, especially above a certain threshold (250 imperial gallons), you need an operating permit to legally hold that amount of fuel. This applies to both stationary and mobile fuel storage, including generators. • Generators and Inspection: Even if you have a generator, it doesn't mean you automatically need a permit to run it. However, if your generator has a tank that holds a certain amount of fuel (250 imperial gallons or more), it does require an operating permit. This regulation is about ensuring safe fuel storage, not the generator's operation itself. • LPG (Liquefied Petroleum Gas): The same rules apply to LPG as well. If you store a certain quantity of LPG (above the threshold for which a permit is required), it will be subject to inspection and safety checks. • OFR (Operating Fuel Regulation): It sounds like there might be some confusion among suppliers regarding what OFREG (likely a regulatory body) inspects. According to the ICEO, OFREG does indeed inspect the storage of fuel for generators, even though suppliers might not have been fully aware of this regulation. • In summary, while running a generator itself may not require 	6 7 8 9 10 11

		an operating permit, if it holds a significant amount of fuel (250 imperial gallons or more), the fuel storage would be subject to regulatory oversight and inspections, and you would need an operating permit for that storage.	
3.2	Energy		12
3.2.1	Dashboard	Included in the Board folder for viewing.	13
3.2.2	CUC Temp Gen	The BoD looked at the draft determination and made several changes to the document. Main points of discussion: <ul style="list-style-type: none"> • Consistent with the Board decision on the second tranche of temporary generation in 2023, (which was miscommunicated by former EDE), the decision was to permit CUC to use temp gen but only when genuinely needed and not at the expense of consumers, placing strong conditions on use: <ul style="list-style-type: none"> - cost of temp gen not being passed on to consumers; - no operational costs recovery, only fuel/lube should to be recovered from consumers - no deferred payment or regulatory asset treatment: CUC must provide documentary proof that no cost is being passed on to consumers; - the phasing out of temperary generation as soon as possible or as directed by the Office; - fuel costs associated with temporary generation should only be recovered through a fuel factor equal to or less than CUC's most efficient unit, and should not be included in the rate base. • These instructions need to be clear and strongly worded, with including strict recovery cost conditions to prevent pass-through of costs and/or inclusion in the rate base. • CUC can only use temp gen if there is a shortfall in reserve generating capacity which results from unplanned maintenance, demand outgrowth, or capacity loss. The approval for using temp gen is based on the actual occurrence of this shortfall (remove 'significant' and use 'potential'). • CUC cannot supply electricity for profit without going through the full competitive bid licensing process. The only exception is if there is a catastrophic failure and CUC would be allowed to replace the capacity with temp gen in that case. If they plan to retire a generator or add new capacity, they must go through the formal bidding process. We should ensure that language around the general solicitation process includes consideration for factors beyond just price (eg local factors and community benefits). • There should be a requirement for CUC to itemise the costs associated with temp gen, including which unit ran, the fuel that was burned, the efficiency rate, what fuel/lube costs were passed through to consumers. These figures should be tracked and audited to ensure full transparency and to prevent improper billing, ensuring details are accurate and align with regulatory expectations. 	14 15 16 17 18 19

		<ul style="list-style-type: none"> The inclusion of detailed analysis or specific data in the document such as reserve capacity and peak loads should be handled cautiously. It should be made clear that it is subject to further analysis and may require an appendix, or a reference to the full application documentation to avoid confusion. 	20
		<ul style="list-style-type: none"> Energy team had discussions with the Office's Economic Regulator about CUC's needs and updated the language in the document to highlight CUC's capacity may fall below the licensed reserve requirement if they don't utilise temp gen in exigent circumstances (eg unscheduled maintenance, spiking, etc). 	21
		<ul style="list-style-type: none"> There is a key distinction between allowing and approving CUC to use temp gen. 	22
		<ul style="list-style-type: none"> There is a need for confirmation on how leasing costs (the \$3.5M for leasing/BESS/RESC/Tranche 2) are being treated and whether they have been included in the rate base. There was a suggestion to reserve the right to revisit the issue regarding these costs and ensure that any future decisions align with previous agreements and maintain consistency. 	23
		<ul style="list-style-type: none"> The term 'firm power' should be defined in the document. Whilst it is not defined in the current licence, it is a recognised industry term globally, and the NEP includes the definition. 	24
		<ul style="list-style-type: none"> The 'disaster' definition in the licence relates to a proclamation from the Governor under emergency powers. This is a high bar and does not apply to engine failures. Temp gen use due to an engine failure falls within the generation licence domain and does not require a disaster declaration. 	25
		<ul style="list-style-type: none"> The language surrounding the bidding process should be adjusted to avoid any implication of anti-competitive behaviour. The term anti-competitive requires a clear definition and should not be used without clear evidence. 	26
		<ul style="list-style-type: none"> Discussion around reserve capacity and peak load needs to be addressed in the document, specifically regarding the 35% lower margin. It is agreed that adding specific reserve capacity numbers may be controversial unless properly substantiated by data. 	27
		<ul style="list-style-type: none"> Urgency language needs to reflect CUC's claims of the urgent need for capacity, but the specific details about reserve margin can be referenced elsewhere. 	28
		<ul style="list-style-type: none"> There was a lengthy discussion about how to phrase the sanctions section. The aim was to keep it clear but not overly forceful or threatening. The initial suggestion was to express that the Office may consider sanctions in the future if needed, but the wording should not imply a predetermined course of action. The revision decided upon clarifies that sanctions are still under consideration and are dependent on future actions rather than a fixed consequence. After considering the pros and cons of including the sanctions clause within the existing section, the decision was made to place it at the bottom of the document. 	29
		<ul style="list-style-type: none"> It was noted that the CUC temp gen proposal created 	30

		<p>confusion as to whether CUC can generate and sell electricity under its T&D Licence, which is not permitted. CUC can only sell electricity if from a licensed generator under a PPA. The generation licence permits CUC to generate electricity whilst the T&D licence does not permit electricity generation.</p>	
		<ul style="list-style-type: none"> There was discussion on whether and how to reflect fuel costs for temp gen in billing. One idea was to have a separate line item on the bill for temp gen fuel costs so that consumers can clearly see the extra costs for the use of temp units. Issue is that if temp gen is billed at a lower blended rate customers may mistakenly assume CUC is incentivised to use temp gen for all future generation to reduce costs. It was suggested to keep track of these costs separately and ensure transparency. CUC should report on the fuel consumption for temp gen units whilst keeping the rate consistent with the most efficient unit. This approach will help prevent misunderstandings amongst consumers and ensure that all extra cost are properly accounted for. 	31
		<ul style="list-style-type: none"> There was concern that CUC may be using temp gen units long-term and this could be perceived as a permanent solution rather than an emergency measure which might set an untenable precedent. 	32
		<ul style="list-style-type: none"> A concern was raised about determining the efficiency of temp gen units. When purchasing these units the manufacturer's specifications provide benchmarks to calculate the unit's efficiency. Whilst CUC may not appreciate this approach, it is believed necessary to hold them accountable to prescribed standards. 	33
		<ul style="list-style-type: none"> The section on health and safety seemed overly broad. This definition can change to 'destructive event' to clarify that temp gen would only be used for emergencies or destructive events. 	34
		<ul style="list-style-type: none"> The process was clarified for circulating the final draft: <ul style="list-style-type: none"> AGC will send out the clean copy with mark-ups to show the changes made in the last discussion; FB is to receive the document with changes highlighted and all Members will read it over; Chair will make final tweaks after input and send over to the BoD for review and final approval. 	35
		<p><u>Next Steps</u></p> <p><u>Clarify conditions for temp gen:</u> reiterate that CUC cannot apply for a temp gen licence under non-emergency situations and reference the legal stipulations around this. Include clear conditions for temp gen to ensure CUC can only use the temp gen when it is actually needed to prevent a generation shortage and cannot pass excessive costs to consumers and must phase out temp gen as soon as possible.</p>	36
		<p><u>Fuel factor for temp gen:</u> ensure there is a separate line item for fuel costs in accounts and the Office request information</p>	37

		<p>associated with temp gen to maintain transparency.</p> <p><u>Accountability for costs:</u> the Office will be responsible for verifying the temp gen usage, ensuring that it is properly accounted for and does not inflate consumer's bills unnecessarily.</p> <p><u>Transparency in reporting:</u> clearly state that CUC is required to report monthly usage of temp gen and fuel consumption and the office will ensure it is being done at the correct rate.</p> <p><u>Monitoring long-term use of temp gen:</u> there should be monitoring in place to ensure temp gen is only used when absolutely necessary and phased out quickly before it becomes a long-term solution.</p>	<p>38</p> <p>39</p> <p>40</p>
3.2.3	CUC CON	<p>The draft determination was considered.</p> <ul style="list-style-type: none"> It was suggested that the introduction in the draft should be standardised, with references to the Office, URCO or authority kept consistent in this document and the draft for temp gen. Everyone agreed that the preamble should not change much between documents. It was queried whether "intermittent renewables" was a term in the CON. BoD clarified there are several references to the term. ICEO read out those renewables considered non-intermittent, contained within the document. The question of retiring 32.7MW of firm generation by 2027 and the need for 162.8MW was posed. These figures need to be cross-checked with the CON data. It was queries as to whether there should be an RFP for firm and solar generation separately, given that they have not determined the exact amount. BoD expressed the need to determine the required generation for CUC, considering their motivations for taking this hybrid approach. It was suggested they may not be asking for more firm generation as they plan to use the BESS to reduce their needs. Given their projected retirements and existing licence, the need to understand why CUC is not asking for more generation was emphasised. It was suggested sending a letter to CUC to get this information rather than issuing an RFI. It was suggested giving CUC 7 days to respond to this letter. ICEO confirmed the draft determination can include the proposal to seek additional information. Concern was expressed about the need to ensure CUC's request for firm power is aligned with their obligations under their licence and that it would not compromise grid reliability in the future. The document should emphasise that the security of the grid and continuity of electricity supply in Cayman are paramount in making the decision, despite concerns over the transition to renewables in accordance with the NEP. It was suggested the BoD send a message to the Ministry and Cabinet regarding the NEP, emphasising that it is not in force as yet, and they should provide guidance to the Office on whether and how the Office is expected to proceed with the CON approval and future policy. 	<p>41</p> <p>42</p> <p>43</p> <p>44</p> <p>45</p> <p>46</p>

		<p>EDE and ADDE entered the meeting.</p> <p>Key issues discussed:</p> <ul style="list-style-type: none"> • Firm Power v Renewable Generation: Board discussed whether to approve CUC's request for 36MW of firm power, especially considering CUC's intention to retire 37.5MW in the near future. Concerns about the ability to meet future load growth and replace retiring capacity with sufficient firm generation power so as to eliminate the need for any temp gen units. The idea of approving a firm generation component of around 90MW was discussed to address the gap and future demand. • Need for Clarity in CUC's Proposal: There were concerns around CUC's hybrid proposal, which includes a large portion of renewable energy (photovoltaic and battery storage), but this renewable generation is not firm power and does not fit within the current licensing framework. The Board is hesitant to approve non-firm renewable generation in place of firm generation, fearing it could undermine grid stability, especially with nodirective on the NEP from the Government. It was noted again that the NEP cannot displace the legislation nor does it displace or amend the current CUC Licenses. • Concerns Over Competition: There is a concern that by approving smaller amounts of generation (ie the 36MW), it may discourage competition and lead to CUC controlling all of the market again. A larger project (eg around 90MW) might be more attractive to international investors.. • Time Constraints and Necessity of Action: The urgency of addressng power generation issues, given that load growth and infrastructure development are already happening, and the retirement of older generation units is imminent. Ther is a concern that CUC's time for replacing generation is unrealistic. • Approval Process and Detremination: EDE/ADDE informed the Board that scenario 1 in CUC's CON was indeed for approving a firm generation request of 90.1MW. The Board decided this was the best scenario, in line with the need to meet public obligations and future power requirements, as calculated. They also want to ensure they are not prematurely adopting renewable energy solutions which may merely compromise grid reliability. The draft determination should be amended to reflect these priorities, particularly the necessity of firm power to support grid stability. <p><u>Next Steps</u></p> <p>AGC/Energy sector to work on rewording the draft determination.</p>	<p>47</p> <p>48</p> <p>49</p> <p>50</p> <p>51</p> <p>52</p>
3.2.4	CUC CIP	<ul style="list-style-type: none"> • There was a question about whether regulatory assets (such as those related to fuel recovery for temporary generation equipment) are included in the CIP. It is the Board's understanding that the CIP only accounts for hard assets like property, plant, and equipment. Regulatory assets are more abstract and not typically part of CUC's CIP unless they have a physical component. Temporary generation equipment is 	53

	Redacted under FOI Act (202 Revision) s21(1)(a) (ii)	<p>not accounted for as a capital asset unless it is leased with the option to own. If it's just expenditure, it's not considered an asset, and the CIP would not report it.</p> <ul style="list-style-type: none"> There was discussion around temporary generation (such as backup power plants), specifically how efficient the units are. It was emphasised that the need for efficiency data on the entire fleet of generators, particularly focusing on how many units have meters for tracking fuel consumption. ADDE confirmed that newer generators have meters, but older ones do not. This leads to concerns that CUC may not have accurate data on fuel consumption, making it difficult to justify their fuel factor charges to consumers. It was noted that poles were once included in the CIP but are now removed. ADDE confirmed that the cost associated with poles was around [REDACTED] but this was taken out in the latest plan. BoD were informed that anything under 3% (\$3M) doesn't need to be included in the CIP, and it was pointed out that although the expenditure related to poles isn't in the CIP now, it was originally in the Capital Expenditure Plan. EDE informed the Board there is a dispute between CUC and the National Roads Authority (NRA) regarding the cost of street lights. The NRA pays CUC approximately \$98k/month for over 7,000 street lights, with an annual audit conducted to verify costs. CUC has been adding new costs related to the installation of new lights and special poles. The NRA is disputing whether they should be responsible for these additional costs, particularly since CUC is charging them for the replacement of street lights, even though the cost is supposed to be included in the rate. There was a suggestion that the NRA should have a historical recovery mechanism for the costs of poles, as the government actually owns the poles affixed to its property. It was suggested that the Government could actually charge CUC for pole space, which would be an ongoing revenue stream for the government, given that CUC erects many of its poles on government land. When it comes to the costs of poles and street lighting, the It was clarified that both telecom consumers and electricity consumers share the costs. The ongoing debate is whether telecoms should continue paying for these costs, especially since NRA and CUC have been arguing about the fairness of the charges for new lights and poles. 	54 55 56 57
	Decision	<i>The Board approved an amended CUC 2025-2029 Capital Investment Plan (CIP), by excluding the Business Cases C44L-04 & T&D Upgrades with Make Ready Telecoms, and C42M-03 Alternative Energy Technology from the initially proposed CIP 2025-2029 and authorised the Executive Director, Energy, to advise the Licensee of the Board's decision as soon as practical.</i>	D4
3.2.5	L&R Fee Adjustment	<ul style="list-style-type: none"> The Board reviewed the Paper submitted in respect to CUC's proposal to a reduction of L&R fees, which would benefit consumers. The adjustment has already been applied for February, and there's a question about whether this should 	58

		<p>be adjusted retroactively to January.</p> <ul style="list-style-type: none"> • The adjustment will lead to consumers seeing a savings of 0.0009 MW/kWh from February 1, which is separate from a 16% reduction already received by consumers. • The question arises whether the January adjustment could be included, allowing consumers to see savings for both January and February on their March bill. • There was a request to apply savings from January 1 to ensure a full month's worth of benefits, but it seems like there's a balancing account at play, meaning it would "wash out" in future calculations. • The adjustment seems to be part of a balancing account where any savings or adjustments are passed through to the government rather than directly reducing consumer bills. There's some confusion about whether this is a "real" saving or more of an accounting adjustment. • There's some confusion about when the review process and rate adjustment requests were made, with references to an October 2024 request for rate adjustment. Some typos in the documents are causing confusion regarding dates. • The aim is to adjust the rate so that it balances out in the future, which might lead to either an increase or a further decrease in rates over time. • Consumers are being impacted by the delay in implementing the January savings, and there's a concern that this delay may result in consumers overpaying until the next adjustment is made. • While the Board has reviewed the adjustment proposal, the timeline for implementation is pushing the actual savings to March, rather than January, which might not feel like an immediate benefit to consumers. • EDE instructed to inform CUC of the Board's decision immediately. 	59 60 61 62 63 64 65 66 67
	Decision	<i>The Board approved CUC's request to reduce the License & Regulatory Rate (L&R Rate) from \$0.0155 to \$0.0009 per kWh effective 1 February 2025, and authorised the Executive Director, Energy, to advise the Licensee of the Board's decision as soon as practical.</i>	D5
3.2.6	CUC Z Factor	Deferred to March meeting.	68
3.3	ICT		69
3.3.1	C3	<div style="background-color: black; width: 100%; height: 100%; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%;"></div> </div>	70
	section 3.3.1 Redacted under FOI Act (2020 Revision) s17(1)(a)	<div style="background-color: black; width: 100%; height: 100%; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%;"></div> </div>	71
		<div style="background-color: black; width: 100%; height: 100%; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%;"></div> </div>	72

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			D6
3.3.2	ICT Consumer Protection Regulations	Deferred to March meeting.	78
3.3.3	Satellite Internet Service Provision	<ul style="list-style-type: none"> The Board noted that the Minister J. Ebanks has been advocating for Starlink's rollout as a means of enhancing internet redundancy. However, ICEO reiterated that since 2022, Starlink has indicated that the peering obligation is a major barrier to launching in Cayman, as it would require them to establish terrestrial gateway infrastructure, which they have no interest or need in doing. The peering obligation, arises out of Directive issued to the Office in 2020. It requires the Office to force licensees to connect their networks together in order to keep all internet / data traffic that originates and is destined for Cayman does not traverse international networks. ICEO further clarified that while Starlink has installed ground stations in Jamaica, this was a result of their network design requirements. ICEO further emphasised that requiring Starlink to establish ground and infrastructure in Cayman would undermine one of its core benefits—providing service independent of local networks infrastructure particularly in times of disaster. Despite these concerns, the Minister has requested an update on licensing progress by March 31. ICEO noted that the peering obligation, intended to keep local traffic onshore, conflicts with how satellite ISPs operate, as their data routing is inherently different from terrestrial ISPs. He added that the issued consultation was done to solicit input on approaches to possibly licensing satellite services in light of the noted impediments. A new category could clarify routing implications for consumers and properly differentiate terrestrial and satellite ISPs. ICEO further raised concerns that requiring satellite ISPs to route traffic through local infrastructure could introduce inefficiencies and negate the intended benefits of satellite 	79
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		<p>connectivity. He added that local ISPs have expressed concerns over sharing their infrastructure, which they believe could negatively impact their business.</p> <ul style="list-style-type: none"> • The Board discussed that any new licensing framework would have include obligations that ensures consumers are aware of how their data will travel when using satellite ISPs. • Board had discussion regarding weather if major ISPs like Flow and Digicel pull out or restrict their services, it could result in over-reliance on Starlink, which has not yet proven itself as a primary internet provider. However, It was noted that it is unlikely that satellite providers will significantly disrupt the market, as services are complementary and competition will settle the market. Also natural environmental does impact connectivity of satellite services so consumers are not likely to rely on satellite services, making them less competitive than terrestrial networks for daily consumer use. 	81 82
3.3.4	Dashboard & Compliance	Included in the Board folder for viewing.	83
4	ICEO Report		84
4.1	Output fees/Royalty set-up (update)	Deferred to March meeting.	85
4.2	Enterprise Risk Management – Report, Policy & Register	Deferred to March meeting.	86
4.3	Finance Report – Nov 2024	Deferred to March meeting.	87
5	Legal Advice		88
5.1	Legal Dashboard	Included in the Board folder for viewing.	89
6	AOB		90
6.1	Board Directives & Policy for Secretary	Deferred to March meeting.	91
7	Adjournment	Meeting was brought to a close at 1825hrs. Next meeting is Thursday 13 March 2025.	92

Signed: _____

Samuel Jackson, Chairman

Signed: _____

Joanne Conolly, Secretary