

10 October 2020

*"I am responding to the proposed CORE rate of \$0.134/kWh recently announced by OfReg and I understand that there is a public consultation period which ends on 30<sup>th</sup> October. This email is my contribution to the consultation process in a personal capacity. I have recently had some email communication with Gregg Anderson at OfReg to confirm that the new \$0.13 rate replaces the previous residential CORE rate which I believe was set around \$0.24. Given what appeared to be a very significant decrease in the CORE rate I wanted to confirm with OfReg that I was not mistaken. Gregg Anderson confirmed that the new residential CORE rate proposal is indeed \$0.134/kWh.*

*I have more than a passing interest in the new rate. In the last few years I have kept a close eye on renewable energy systems in preparation for installing a solar system at my home. This summer I did research into the various companies here in Cayman and received a number of proposals. We picked one company to provide us with a system and have been waiting for the next release of the CORE capacity to move forward. It was with both alarm and disappointment that I saw the reduction of CORE rate from \$0.24 to \$0.13, a reduction of approx 45%.*

*The proposal we chose was created at current market rates and we were already looking at about 8 years for a return on the capital cost of the system and this excludes any maintenance, replacement of equipment, insurance or other costs. If the CORE rate stays at the proposed \$0.13 level then this will move to something like 14 to 15 years, depending on the solar panel degradation that occurs over time. It is very important to communicate to OfReg that this new proposed rate means the following:*

- 1. With this substantial reduction in rate of approx 45%, OfReg will fundamentally change the established expectations of the CORE program which will undoubtedly lead to a significant reduction in demand for solar over the long term.*
- 2. On a personal note, the reduction in the CORE rate means I will not be moving forward with an investment in solar at this time. 14 years is simply too long to wait for a return on the investment being made.*
- 3. OfReg's proposed rate now means that it is making solar far less viable than in other markets including the USA, Canada and Australia where the return on the capital cost of the system is expected in approx 6 to 8 years. It is simply bizarre that OfReg would choose to reduce the CORE rate by 45% without creating improvements in other areas which would help people make the necessary investment in solar to allow renewables to grow quickly. See below for an example from Australia:*

*<https://www.agl.com.au/solar-renewables/solar-energy>*

- 4. The move from 8 to 14 years is a fundamental change which goes way beyond a proportional increase in cost payback time. When consumers make decisions about spending tens of thousands of dollars, psychology becomes more and more important in the decision-making process. I can foresee being in my own home for the next 8 years, however trying to understand where I will be in 15 years is almost impossible. I will be at a very different stage in my life. If people cannot see themselves ultimately benefiting from their investment in solar why would they make it? This means that the CORE program will move more to new construction only which will make it very cyclical.*

- 5. If this proposed rate is confirmed, Cayman's CORE program will become increasingly irrelevant. It is already looking antiquated as a concept as the market has changed considerably since CORE was conceived and this is especially true of battery storage options and demand price thinking. If OfReg wishes to change the fundamentals of the CORE program by dropping the rate very substantially then it has a responsibility to also change the fundamentals of how CUC's customers can benefit from investing in renewable energy. See below for an example of how the same Australian utility is taking a different approach:*

*<https://www.agl.com.au/about-agl/media-centre/asx-and-media-releases/2020/september/agl-expands-virtual-power-plant-with-solar-battery-sales-across-eastern-states>*

- 6. Without any other changes happening, just changing the CORE rate downwards by this amount will highlight that there is no real plan in how Cayman can move to renewables in the*

*foreseeable future. At the very time that Cayman needs to be growing its renewable generation, the uncertainty created by the rate drop and the lack of a strategic vision will reduce investment, not increase it.*

*While I can understand OfReg's commitment to lowering electricity rates generally reducing the CORE rate substantially will not move the needle on prices but it will reduce Cayman's ability to generate electricity from renewables in the long term and with broad community involvement. I urge OfReg to reconsider the proposed rate or to fundamentally change the residential electricity market to demand based pricing, which will then allow for the necessary investment to be made by households into renewables.*