

E&U 2026 – 1 –
Draft Determination on Amended IEL T & D Licence

**UTILITY REGULATION AND COMPETITION OFFICE
CAYMAN ISLANDS**

Launch Date: 02 February 2026

Closing Date for Comments: 16 February 2026

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A. Introduction

1. The Utility Regulation and Competition Office (the “Office” or “URCO”) is the independent regulator established by Section 4(1) of the Utility Regulation and Competition Act (the “URC Act”) for the electricity, information and communications technology (“ICT”), water, wastewater and fuels sectors in the Cayman Islands. The Office also regulates the use of electromagnetic spectrum and manages the .ky Internet domain.
2. The Proposed Amended Island Energy Limited (IEL) Transmission and Distribution (T&D) Licence was drafted under the Office’s authority to safeguard consumers’ short- and long-term interests by ensuring utility services are efficient, satisfactory, and reasonably priced according to the actual cost to provide service.
3. A core responsibility of the Office is to make regulatory decisions with the appropriate input from persons with sufficient interest or who are likely to be affected by the outcome of such decisions. Consultation is an essential aspect of regulatory accountability and transparency and provides the formal mechanism for these persons to express their views. The requirement for the Office to consult is mandated in its enabling legislation and for the purposes of procedural fairness and compliance with administrative law principles.
4. This Draft Determination is issued in accordance with Section 7(1) of the Utility Regulation and Competition Act (2024 Revision) (the ‘URC Act’) in order to provide Island Energy Limited (IEL) and the public, an opportunity to offer comments on this Draft Determination on Proposed Amended IEL’s T&D Licence, relating to the rate cap and adjustment mechanism (RCAM) implementation.
5. The Office took IEL’s proposed draft Deed of Variation of T&D Licence submission into consideration when drafting the Draft Determination.

B. Legal Framework

6. In developing this Final Determination, the Office is guided by its statutory remit, notably the following provisions.

7. Whereas Section 6 of the URC (2024 revision) in part states:

(1) *The principal functions of the Office, in the markets and sectors for which it has responsibility, are —*

(a) [...] to (b) [...];

(c) *to protect the short and long term interests of consumers in relation to utility services and in so doing —*

(i) *supervise, monitor, and regulate any sectoral provider, in accordance with this Act, the regulations and sectoral legislation and any general policies made by Cabinet in writing;*

(ii) *ensure that utility services are satisfactory and efficient and that charges imposed in respect of utility services are reasonable and reflect efficient costs of providing the services; and*

(iii) [...]

(d) [...].

(2) *In performing its functions and exercising its powers under this Act or any other Law, the Office may —*

(a)[...] to (m)[...]

(n) *issue, suspend, vary or revoke licences, permits and exemptions;*

(u) *review and, as appropriate, approve, reject or modify tariffs filed by a sectoral provider governing the provision of covered services;*

8. Whereas, Electricity Sector Regulation Act (2019 Revision) (ESR Act) in part states:

The definition in Section 2 states:

“RCAM” or “rate cap and adjustment mechanism” means the mechanism for determining and modifying prices for electricity delivered by a T&D licensee to consumers as approved by the Office and specified in that licensee’s T&D licence;

Section 9 (2):

Subject to this Law, the Office has power to do all things necessary or convenient to be done for or in connection with the performance of its functions.

Without prejudice to subsection (1), the principal functions of the Office shall include —

(a) *to monitor and regulate the tariffs, rate structures and terms and conditions for electricity transmission and distribution charged to consumers by T&D licensees in accordance with the respective RCAM;*

(b) *to review and approve other rates offered by T&D licensees outside of the respective RCAM and available at the option of the consumer;*

(c)[...] to (m)[...]

- (n) to review and approve the charges associated with generation that are passed through to the consumer by a T&D licensee;
- (o) to monitor and regulate all licensees in a manner that —
 - (i) promotes sustainable competitive practices;
 - (ii) provides an opportunity for a fair and reasonable return to licensees; and
 - (iii) protects the economic interests and well-being of consumers by keeping tariffs and rate structures as low as can reasonably be achieved;
- (p) to review and approve annually the Capital Investment Plans for all licensees;
- (q)[...]

Section 28:

(1) Without prejudice to subsection (2) or (3), a licence may be modified where the Office and the licensee each consent in writing to modify the licence subject to any special conditions concerning modification in the relevant licence.

(2) Notwithstanding subsection (1), the Office shall immediately, on the direction Cabinet, modify a licence for reasons of the security or the public interest of the Islands with or without the agreement of the licensee.

(3) Where the Office, on the recommendation of the Cabinet, considers that a licence should be modified in the public interest, the Office shall give to the licensee a written notice that —

- (a) sets out the proposed modification;
- (b) states the reasons for the proposed amendment; and
- (c) invites the licensee to file submissions within twenty-eight days to show cause why the licence should not be so modified.

(4) The Office may modify the licence if, after having regard to a submission made under subsection (3)(c), the Office considers the licence should be modified —

- (a) in the manner set out in the notice; or
- (b) in some other manner consistent with the said submissions.

(5) Where the Office decides to modify the licence, the Office shall give to the licensee a written notice stating —

- (a) how the licence has been modified; and
- (b) that the licence may apply to the Office for a reconsideration of its decision in accordance with section 71(1)(e).

9. Under section 6(3) of the URC Act, the Office has the power to carry on any activity which appears to it to be requisite, advantageous or convenient for or in connection with the performance of its functions and exercising its powers under this or any other law.

C. Draft Determination

10. The proposed Amended IEL T&D Licence relating to RCAM is attached to the Draft Determination document as Appendix 1, and the IEL's Draft Deed of Variation of T&D Licence document as Appendix 2.
11. The proposed changes can be found in 'blue text' in the proposed Amended IEL T&D Licence. A record of amendments is provided below:
 - a. Additional definitions have been included in Condition 1.3
 - b. The definition of Base Rates was amended in Condition 2.4
 - c. A Version Date for the T&D Licence document was included in Condition 3.
 - d. A Condition 30A was included to address Rate Structure.
 - e. A Condition 30B was included to address Pass-through Charges such as Fuel Costs, Government and Regulatory Costs
 - f. A Condition 30C was included to address RCAM
 - g. A Condition 30D was included to address Reserves and Reporting
 - h. Schedule 3 was repealed
 - i. Schedules 4 and 5 were amended
 - j. Schedule 5 was amended
12. A summary of changes in the proposed Amended IEL T&D Licence is provided below:
 - a. The proposed IELT&D Licence Amendments include conditions related to the RCAM and its associated terms and definitions, some of which are verbatim from the CUC T&D Licence. The conditions related to Rate Structure and Pass-through Charges, including Fuel Cost Charges and Government and Regulatory Costs.
 - b. Rate Structure and Adjustments

- Details the Rate Cap Adjustment Mechanism (RCAM) and other financial regulations.
- Conditions introduced significant changes to the rate structure and adjustment mechanisms, including:
 - New methodologies for calculating Base Rates and Cost of Capital.
 - A formula for adjusting rates annually based on various factors, including the X Factor and Z Factor.

c. Timeline for implementation dates for the RCAM and submission of relevant reports for the Office's review.

D. Proposed Determinations

13. Having reviewed IEL's Draft Deed of Variation, the Office proposes to determine as follows:

14. Adoption of RCAM

- RCAM shall be implemented effective 01 January 2026.
- Annual adjustments will occur on June 1 each year.
- The RCAM formula shall be:
$$\text{New Base Rate} = \text{Current Base Rate} \times \{100\% + P \times (100\% - X)\}$$

Where

P = Price Level Index change, X = productivity factor

The following X Factor table is applied

Range of Return on Rate Base Values	X Factor	Change in Base Rates as a percentage of P (100% - X)
Over 13%	140%	- 40% (rate reduction)
11 -13%	100%	0% (no rate adjustment)
9-11%	20%	80%
7-9%	0%	100%
Below 7%	-40%	140%

- The Cost of Capital will be adjusted annually according to the following formula:
$$\text{Cost of Capital} = 10\% + [0.75 \times (\text{Average Treasury Yield} - 5\%)]$$
- The RCAM methodology set under Condition 30.C of the new Licence will apply until 31 March 2028. New provisions under Condition 30.C will

apply from 1 April 2028 after the publication by the Office of an administrative determination on the appropriate RCAM methodology for the Cayman Islands electricity sector.

15. **Base Rates**
 - Base Rates shall exclude fuel and regulatory costs.
 - Consumer classes (residential, small commercial, large commercial, lighting) shall be maintained, subject to review.
16. **Pass-through Charges**
 - Fuel Cost Charge and Government & Regulatory Charge shall be shown separately on consumer bills.
 - Tracker accounts shall be maintained to ensure costs are passed through without benefit or loss to IEL.
17. **Capital Investment and Reporting**
 - IEL shall submit quarterly operational reports and annual cost-of-service studies.
 - A five-year review of RCAM and rate design shall be conducted jointly by IEL and the Office.

E. Draft Determination Questions

18. The Office invites comments on the following:
19. Do you agree that RCAM provides a fair balance between consumer protection and IEL's financial stability?
20. Should additional consumer classes or incentive rate structures be introduced?
21. Are the reporting and transparency requirements sufficient to ensure accountability?

F. How to Respond to this Consultation

22. The Office considers that two weeks is appropriate for consulting on this Draft Determination. As noted above, section 7(1) of the URC Act states that prior to issuing an administrative determination of public significance, the Office shall "issue the proposed determination in the form of a draft administrative determination." The Office considers the proposed

determination outlined above to be a “draft administrative determination” for the purposes of section 7(1).

23. All submissions on this consultation should be made in writing and must be received by the Office by 5 p.m. on 16 February 2026 at the latest.
24. Submissions may be filed as follows:

By e-mail to:
consultations@ofreg.ky

Or by post to:
Utility Regulation and Competition Office
P.O. Box 10189
Grand Cayman KY1- 1002
CAYMAN ISLANDS

Or by courier to:
Utility Regulation and Competition Office
3rd Floor, Monaco Towers II
11 Dr. Roy's Drive
Grand Cayman
CAYMAN ISLANDS

25. If a respondent chooses to file any information in confidence with the Office, it should, *at the time of making its filing*, also file redacted versions for the public record along with the reasons for each confidentiality claim and the other requirements for confidentiality claims as specified in section 107 of the URC Act.
26. If a respondent chooses to apply to the Office for an extension of the time to file comments or reply comment, it must do so no less than four (4) days before the day of the existing deadline, include a complete and detailed justification for the request, and copy all other respondents (if known) *at the same time* as it applies to the Office. The other respondents (if applicable) may comment on the application for an extension within two (2) days of submission of the application, copying all other respondents *at the same time*. The Office reserves the right not to accept applications for extensions that do not satisfy these requirements. However, at no time will the Office accept an application for an extension submitted after the deadline in question has passed.



G. Next Steps

27. Following review of stakeholder comments, the Office will issue a Final Determination. If adopted, the amended IEL T&D Licence will take effect upon the board of directors' approval of the final determination.



APPENDIX 1: Proposed Amended Island Energy Limited Transmission & Distribution Licence



APPENDIX 2: IEL's Draft Deed of Variation T&D Licence

**Proposed Amended Electricity
Transmission & Distribution Licence**

Granted To

Island Energy Limited

18 December 2018

IEL Version 2, XX January 2026

THE ELECTRICITY SECTOR REGULATION ACT (2019 REVISION)

Licensee Name: **Island Energy Limited**

Licence Area: The area set out in the plan referred to in Condition 4.

Commencement Date: 18 December 2018

Version Number: 1

Version Date: **XX January 2026**

Expiry Date: 31 December 2039

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PART I TERMS OF THE LICENCE

1. The Utility Regulation and Competition Office of the Cayman Islands (the 'Office'; 'URCO'), in exercise of the powers conferred by Section 23(2) of the Electricity Sector Regulation Act (2019 Revision) (the 'Act') hereby grants to **Island Energy Limited** (the 'Licensee') an exclusive licence (the 'Licence') to transmit, distribute and supply, commercially, electricity from the Transmission and Distribution Assets (as hereinafter defined) for public and private purposes in the entire area of the islands of Cayman Brac and Little Cayman, Cayman Islands for the period specified in Condition 3 subject to the Conditions set out in Part II and Part III of this Licence (the 'Conditions').
2. The Conditions are subject to modification or amendment in accordance with their terms or in accordance with the Act.
3. The Licence granted to Cayman Brac Power and Light Ltd and commenced on 18 December 2018, was acquired by Island Energy Ltd. with consent to transfer the Licence effective September 30, 2022, is hereby amended with an effective date of the 01 January 2026 and, unless suspended or revoked in accordance with the provisions of Condition 10, shall continue in full force and effect until termination or expiry as provided in Condition 3.
4. This Licence shall be governed by and construed, enforced and performed in accordance with the laws of the Cayman Islands.

Sealed with the Seal of and executed for and on behalf of the Utility Regulation and Competition Office of the Cayman Islands this xx February 2026.

Samuel Jackson.
Chairman of the Board of Directors
Utility Regulation and Competition Office

Sonji Myles.
Interim Chief Executive Officer
Utility Regulation and Competition Office

PART II CONDITIONS OF THE LICENCE

Condition 1: Interpretation and construction

- 1.1. Unless the contrary intention appears, words and expressions used in these Conditions shall be construed as if they were in an enactment and the Interpretation Act (1995 Revision) applied to them.
- 1.2 Any word or expression defined in the Act shall, unless the contrary intention appears, have the same meaning when used in the Conditions.
- 1.3 In these Conditions, unless otherwise specified or the context otherwise requires:

"AC"	means alternating current electrical charge;
"Accumulated Depreciation"	has the meaning given in Condition 30C.11.3;
"Additional Electricity Generation"	has the meaning given to that term in section 2 of the Act;
"Administrative Determinations"	has the meaning given to that term in section 2 of the Act;
"Affiliate of any Person"	In relation to any person means any holding company or subsidiary of that person or any subsidiary of a holding company of that person in each case with the meaning of section 4 of the Companies Management Act;
"Allowance for Funds Used during Construction" or "AFUDC"	has the meaning given in Condition 30C.11.4;
"Allowance for Working Capital"	has the meaning given in Condition 30C.16;
"Ancillary Services"	has the meaning given in the T&D Code;
"Applicable Legislation"	means: <ol style="list-style-type: none">(a) <i>The Electricity Sector Regulation Act (2019 Revision);</i>(b) The <i>Electricity Act (2008 Revision);</i>(c) <i>The Electricity Regulations (2011 Revision);</i>(d) <i>The Data Protection Act (2021 Revision);</i>(e) <i>The Information and Communications Technology Act (2019 Revision);</i>(f) <i>The Interpretation Act (1995);</i>(g) <i>The National Conservation Act (2013 Revision);</i>(h) <i>The Utility Regulation and Competition Act (2024 Revision); and</i>(i) <i>The Regulations, Rules and the Codes.</i>

“Asset Management System”	means the measures that are to be taken by the Licensee for the proper maintenance, expansion or reduction of the T&D Assets;
“Authorised Officer”	has the meaning given to that term in section 2 of the Act;
“Base Rates”	has the meaning given in Condition 2.4 of this Licence;
“Business Day”	means a day which is not a Saturday, Sunday or a Public Holiday in The Cayman Islands;
“Capital Investment Plan”	has the meaning given to that term in section 2 of the Act;
“Cost of Capital”	Has the meaning given in Condition 30C.12;
“Catastrophic Failure”	means a sudden and unexpected failure of one or more components that form part of the T&D Assets, which renders those components or the T&D Assets of which they form part; economically or technically unfit to transmit and distribute electricity;
“Code”	means the National Electric Code (as amended);
“Commencement Date”	means the date the Licence was first granted by URCO being the date specified in Condition 3.1;
“Company”	has the meaning given to that term in Part I of the <i>Local Companies (Control) Act (2015 Revision)</i> ;
“Conditions”	has the meaning given in paragraph 1 of Part I of this Licence;
“Consumer”	has the meaning given to that term in section 2 of the Act;
“Consumer Protection Regulations (Energy and Utilities Sector)”	means the regulations established by the Office to protect consumer interests;
“Customer Service Code”	means the code that specifies the standards and conditions of service and supply that the Licensee must comply with in providing regulated services to consumers as approved by the Office;
“Critical National Infrastructure”	has the meaning given to that term in section 2 of the Act;
“Destructive Event”	has the meaning given to that term in section 2 of the Act;
“Effective Date”	has the meaning xx February 2026
“Document”	has the meaning given to that term in section 2 of the Act;
“Electricity”	has the meaning given to that term in section 2 of the Act;
“Electricity Act”	means the Electricity Act (2008 Revision);
“Electricity Meter”	means any meter that is used for the purpose of measuring the quantity of electricity supplied to premises or, in any case other than that, any meter used for measurement purposes in connection with any of the activities of generating, transmitting, or distributing

	electricity;
“Electricity Service Industry”	has the meaning given to that term in section 2 of the Act;
“Electric Line”	has the meaning given to that term in section 2 of the Act;
“Electronic Means”	<p>means:</p> <p>(a) the Internet;</p> <p>(b) email, being;</p> <p>(i) in relation to <i>URCO</i>, <i>URCO</i>'s email address as notified to the <i>Licensee</i>; and</p> <p>(ii) in relation to the <i>Licensee</i>, the email address specified in the licence application or other such email address as notified in writing to <i>URCO</i>; or</p> <p>(iii) any other similar means,</p> <p>but does not include facsimile or telephone.</p>
“Expiry Date”	means the date specified in Condition 3.2;
“Fee”	has the meaning given to that term in section 2 of the Act;
“Five Year Review”	means a review of the Licence to occur at five-year intervals of the grant by the Office as referred to in Condition 1 and as governed by any rules or procedures which may pertain from time to time;
“Fixed Assets”	has the meaning given in Condition 30C.11.1 ;
“Force Majeure”	means an event or circumstance which prevents the Licensee from performing its obligations under this Licence, which event or circumstance is not within the reasonable control of, or the result of the negligence of, the Licensee, and which the Licensee is unable to overcome or avoid or cause to be avoided through the exercise of due diligence. Events of Force Majeure may include, but are not limited to, acts of God; fire; flood; earthquake; war; riots; acts of terrorism; strikes, walkouts, lockouts and other labour disputes; requirements, actions or failure to act on the part of governmental authorities; adoption or change in any law, regulation, statute, rule or regulation imposed by governmental bodies, including, without limitation, a change in the interpretation thereof; or any lawful order by any court or administrative agency (so long as the Licensee has not applied for or assisted in the application for such court or governmental action);
“Fuel Adjustment Factor”	means a mechanism designed to recover the cost of fossil fuel used in the generation of electricity; or means the monthly dollars per kWh charge to be applied to customers' bills,

	and which represents the amount of increase or decrease in dollars per kWh to be added to or deducted from each bill;
“Fuel Adjustment Formula”	is the formula used in Schedule 3 to calculate the Fuel Adjustment Factor;
“Fuel Cost Charge”	has the meaning given in Condition 30B.2.2;
“Fuel Cost Tracker Account”	has the meaning given in Condition 30B.2.3;
“Fuel Costs”	has the meaning given in Condition 30B.2.1;
“Generate”	has the meaning given to that term in section 2 of the Act;
“Generating Assets”	has the meaning given to that term in section 2 of the Act;
“Generation Business”	means the business of the Licensee in the Generation of electricity for supply in accordance with this Licence;
“Generating Capacity”	means the maximum Generating Capacity (measured in megawatts MW) that is available from the Licensee’s Generating Sets pursuant to its Generation Licence and the Generating Capacity available from the other Generation Licensees pursuant to the PPAs;
“Generating Facilities”	means each Generating unit and any plant or facility of the Licensee from time to time used for Generation, and includes any structures, equipment or other things used for that purpose;
“Generation Licence”	has the meaning given to that term in section 2 of the Act;
“Generating Set”	means any plant or apparatus for the production of electricity and shall where appropriate, include a generating station comprising of one or more than one generating unit;
“Generating Station”	has the meaning given to that term in section 2 of the Act;
“Generator”	has the meaning given to that term in section 2 of the Act;
“Generating Works”	has the meaning given to that term in section 2 of the Act;
“Guidelines”	means statements by which to determine a course of action;
“Government and Regulatory Charge”	has the meaning given in Condition 30B.3.2;
“Government and Regulatory Costs”	has the meaning given in Condition 30B.3.1;
“Government and Regulatory Tracker Account”	has the meaning given in Condition 30B.3.3;
“Individual Performance Standards”	mean any standards prescribed by URCO for an individual Licensee pursuant to Condition 22 of the Licence;
“Independent Power Producer (IPP)”	means a licensed generator which owns facilities for the purpose of generating electricity for sale to a Transmission, Distribution and Supply Licensee;
“Information”	Includes information (other than information subject to legal privilege) in any form or medium

	and of any description specified by the Office and includes any documents, accounts, estimates, returns, records or reports and data of any kind, whether or not prepared specifically at the request of the Office;
<i>“Interconnection”</i>	has the meaning given to that term in section 2 of the Act;
“kV”	means kilovolt, a unit of electrical potential or pressure equal to 1,000 volts;
“kW”	means kilowatt, a unit of electrical power equal to 1,000 watts;
“kWh”	means kilowatt-hour, a unit of electrical energy which is equivalent to one kilowatt of power used continuously for one hour;
“Act”	means <i>The Electricity Sector Regulation Act (2019 Revision)</i> ;
“Licence”	means: <ul style="list-style-type: none"> (a) means a licence granted to a person by the Cabinet or by the Office under this Act and includes any renewal thereof or modification thereto; this document (excluding the title page and the second page of this document); (b) any Schedules to this document; and (c) any Individual Performance Standards approved by URCO pursuant to Condition 22.
“Licence Area”	is the area stated in Condition 4 of this Licence;
“Licence Fee”	has the meaning given to that term in section 2 of the Act;
“Licensee”	has the meaning given in paragraph 1 of Part I of this Licence;
“Licensee’s Assets”	means the Licensee’s <i>distribution system, transmission system or generating works</i> (as the case may be);
“Licensee Income”	has the meaning given in Condition 30C.10;
“MW”	means 1,000 kW;
“MVA”	means 1,000 kiloVolt-Amperes;
“Non-Fuel Operating Expenses”	has the meaning given in Condition 30C.15;
“Notice”	means a written notice, agreement, consent, direction, representation, advice, statement or other communication required or given pursuant to, or in connection with, this Licence.
“Office/URCO”	means the Utility Regulation and Competition Office;
“Operate”	has the meaning given to that term in section 2 of the Act;
“Other Business”	means the business or activities of the Licensee other than the Generation Business or T&D Business;
Outage Reporting Guidelines	means the guidelines for the investigation and reporting by Licensees of incidents or deviations from normal operating conditions

	which may have a significant effect on consumers;
“Performance Audit”	means an audit of the effectiveness of measures taken by the Licensee to meet the <i>performance criteria</i> in this Licence;
“Performance Criteria”	means: <ul style="list-style-type: none"> (a) the terms and conditions of the Licence; and (b) any other relevant matter in connection with the <i>Applicable Legislation</i> that URCO determines should form part of the <i>Performance Audit</i>.
“Person”	has the meaning given to that term in section 2 of the Act;
“PPA”	has the meaning given to that term in section 2 of the Act;
“Premises”	has the meaning given to that term in section 2 of the Act;
“Publish”	has the meaning given to that term in section 2 of the Act;
“Price Level Index”	means an index composed of 60% weighting of the Cayman Islands Consumer Price Index (CI CPI) and a 40% weighting of the United States of America Consumer Price Index (US CPI) (both after adjusting to remove the effects of prices of food and fuel);
“RCAM or Rate Cap and Adjustment Mechanism”	has the meaning given to that term in section 2 of the Act;
“Renewable or Alternative Forms of Energy”	has the meaning given to that term in section 2 of the Act;
“Regulation”	means a Regulation or Regulations made by the Cabinet in exercise of the powers conferred on Cabinet by the Act;
“Regulatory Assets”	has the meaning given in Condition 30C.17;
“Regulatory Liabilities”	has the meaning given in Condition 30C.17;
“Security Deposit”	means any cash security deposit paid by any Person whose premises is connected to the T&D System in accordance with Schedule 1;
“Standby Connection”	has the meaning given to that term in section 2 of the Act;
“T&D”	means transmission and distribution;
“T&D Assets”	has the meaning given to that term in section 2 of the Act;
“T&D Code”	means the T&D code as defined in section 2 of the Act;
“T&D Licence”	has the meaning given to that term in section 2 of the Act;
“T&D Licensee”	means the holder of the T&D Licence for the License Area;
“Term, Condition or Requirement”	has the meaning given to that term in section 2 of the Act;
“Transformer”	means an electrical device to increase or decrease the voltage of energy;
“Transmission and Distribution”	means the transport of electricity by means of a T&D system for delivery to Consumers for

	reward; and
“T&D System”	means the Transmission and Distribution (T&D) network of the T&D Licensee in the License Area which conveys electricity from Generating Facilities to the consumer's Electricity Meters and consists of, structures, lines, underground conduit, conductors, transformers, relays, switchgear and associated equipment.
“Work In Progress” or “WIP”	has the meaning given to that term in Condition 30D.13
“X Factor”	has the meaning given to that term in Condition 30D. 6.
“Z Factor”	has the meaning given to that term in Condition 30D. 5.

- 1.4 Expressions in the singular shall include the plural and, in the masculine, shall include the feminine and vice versa and references to persons shall include companies and other entities and vice versa.
- 1.5 Reference to any statute or statutory provision includes a reference to:
 - 1.5.1 that statute or statutory provision as from time to time amended, extended, re-enacted, revised or consolidated whether before or after the date of this Licence; and,
 - 1.5.2 all statutory instruments, regulations or orders made pursuant to it.
- 1.6 In this Licence, ‘control’ shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a body corporate, whether through the ownership of voting rights, by contract or otherwise.
- 1.7 Unless the context otherwise requires, reference to any Condition or Schedule is to a Condition of or Schedule to this Licence.
- 1.8 Headings in this Licence are for convenience only and shall not affect the interpretation of this Licence.
- 1.9 An Initial Review by the Licensee and URCO of the terms in this Licence will occur two years from the signing date shown in Part I of this Licence.
- 1.10 A Five-Year Review by the Licensee and URCO of the terms in this Licence will occur at each five-year increment from the signing date shown in Part I of this Licence.

Condition 2: Licence Authorisations

- 2.1 The Licensee is granted an exclusive Licence for the Licence Area to purchase, transmit and distribute electricity for delivery to Consumers for reward in the Licence Area who apply to the Licensee for the supply of electricity without discrimination against or preference to any Person, and to construct, reconstruct, replace or modify a T&D System for those purposes in accordance with the terms and conditions of this Licence.
- 2.2 This Licence authorises the Licensee only in respect of the Transmission and Distribution Business and confers no authority to undertake any other business.

2.3 The Licensee shall not sell, or otherwise provide, electricity to any Person other than in accordance with this Licence.

2.4 Base Rates are defined as retail rates less any Z Factor, Fuel Cost Charge and Government and Regulatory Charge. Existing rates will be restructured to segregate Base Rates from pass-through charges by removing from the existing rates the embedded costs of fuel, lubricants and the existing licence fee. Initially, Base Rates will be designed for application to the same or similar Consumer classes in the existing rates – for example, residential, small commercial, large commercial and lighting.

2.5 Notwithstanding the foregoing, in the event of Catastrophic Failure the Licensee may replace (temporarily or otherwise) the failed components with components of equal capacity provided such replacement does not compromise the reliability of the T&D System or T&D operating standards.

Condition 3: Term of Licence

3.1 Commencement Date

18 December 2018.

Version Date

XX January 2026

3.2 Expiry Date

17 December 2039.

3.3 Term [Section 26 of the Act]

3.3.1 This Licence commences on the *Commencement Date* and continues until the earlier of:

- the cancellation of the Licence pursuant to Condition 10.1 of this Licence;
- the surrender of the Licence pursuant to Condition 11 of this Licence; or
- the *Expiry Date*.

Condition 4: Licence area

4.1 The Licence Area is set out in plan(s):

4.2 The Licence Area plan(s) is provided in Schedule 2.

Condition 5: Obligation to dispatch Generating Capacity

5.1 The Licensee shall be responsible for dispatching sufficient generating capacity to meet system requirements in a prudent manner taking into consideration various operating considerations, including but not limited to least-cost, planned and forced generator maintenance schedules and operating reserves (both on-peak and off-peak) and subject to the terms and conditions of any PPAs.

- 5.2 The Licensee shall as far as is practicable safely dispatch available generation in such a manner that the energy produced and dispatched is at the least cost to consumers.
- 5.3 The Licensee may purchase some or all of its energy and/or capacity requirements from Independent Power Producers pursuant to relevant PPAs.
- 5.4 The Licensee may purchase the electricity output from renewable or alternate energy sources on an energy only or capacity and energy basis as appropriate in accordance with the procedures agreed with or established by the Office and subject to relevant PPAs.
- 5.5 The Licensee is responsible for the procurement of adequate generation supply, in terms of required energy, capacity and ancillary services to fully meet the needs of its consumers, subject to the procedures for addition of capacity established by the Office.
- 5.6 The Licensee must ensure that adequate reserve generating capacity, both spinning and cold standby, is available at all times to meet the guidelines promulgated by the Office. The Licensee may provide such reserve capacity itself or may contract some or all of it to any base-load Independent Power Producer with whom a PPA has been signed.
- 5.7 In the event of a Catastrophic Failure the Licensee shall take such actions as may be prudent, in consultation with the Office, to secure adequate replacement capacity.
- 5.8 Except as authorised by the Office in connection with purchases of renewable energy from Consumer-owned generation for self-supply, the Licensee shall not purchase electricity from any Person other than an Independent Power Producer and may not purchase electricity from an Independent Power Producer except in accordance with the relevant PPA.
- 5.9 Subject to satisfactory inspection of the interconnection on behalf of the Office and by the Licensee, consumers who generate renewable energy for self-supply may sell energy to the Licensee, and the Licensee may purchase such renewable energy at rates to be proposed by the Licensee and approved by the Office. The Licensee shall file with the Office, from time to time, its proposals that describe the basis on which, and the rates at which such consumers may sell energy to and purchase energy from the Licensee, which proposals will be subject to the Office's review and approval.

Condition 6: Amendment of Licence by the Licensee [Section 28 of the Act]

- 6.1 The Licensee may apply to URCO to amend the Licence in accordance with the Act.

Condition 7: Amendment of Licence by URCO [Section 28 of the Act]

- 7.1 Subject to any *Applicable Legislation*, URCO may amend the Licence at any time in accordance with the Act.
- 7.2 For avoidance of doubt, the Licensee will not have to pay a fee for amendments under this condition.

Condition 8: Transfer of Licence [Section 25 of the Act]

- 8.1 This Licence may be transferred only in accordance with the Act.

Condition 9: Renewal of Licence [Section 27 of the Act]

9.1 This Licence may be renewed only in accordance with the Act.

Condition 10: Cancellation of Licence [Section 30 of the Act]

10.1 This Licence may be cancelled only in accordance with the Act.

Condition 11: Surrender of Licence [Section 30 of the Act]

11.1 The Licensee may only surrender the Licence pursuant to this Condition 11.

11.2 If the Licensee intends to surrender the Licence the Licensee must, by Notice in writing to *URCO*:

11.2.1 set out the date that the Licensee wishes the surrender of the Licence to be effective; and

11.2.2 set out the reasons why the Licensee wishes to surrender the Licence, including the reasons why it would not be contrary to the public interest for the surrender of the Licence to be effective on the date set out in the Notice.

11.3 Upon receipt of the Notice from the Licensee pursuant to Condition 11.2, *URCO* will publish the Notice.

11.4 Notwithstanding Condition 11.2, the surrender of the Licence will only take effect on the later of the day that:

11.4.1 *URCO* publishes a Notice of the surrender in the Cayman Islands Government Gazette, such date to be at the discretion of *URCO*; and

11.4.2 the Licensee hands back the Licence to *URCO*.

11.5 The Licensee will not be entitled to a refund of any fees by *URCO* upon a surrender of the Licence.

Condition 12: Notices

12.1 Unless otherwise specified, all Notices must be in writing.

12.2 A Notice will be regarded as having been sent and received:

12.2.1 when delivered in person to the addressee; or

12.2.2 three (3) Business Days after the date of posting if the Notice is posted in Cayman Brac; or

12.2.3 five (5) Business Days after the date of posting if the Notice is posted outside The Cayman Islands; or

12.2.4 if sent by facsimile when, according to the sender's transmission report, the Notice has been successfully received by the addressee; or

12.2.5 if sent by Electronic Means when, according to the sender's electronic record, the Notice has been successfully sent to the addressee.

Condition 13: Publishing information

13.1 *URCO* may direct the Licensee to Publish, within a specified timeframe, any information it considers relevant in connection with the Licensee or the performance by the Licensee of its obligations under this Licence.

13.2 Subject to Conditions 13.3 and 14, the Licensee must Publish the information referred to in Condition 13.1.

13.3 If the Licensee considers that the information is confidential it must:

13.3.1 immediately notify *URCO*; and

13.3.2 seek a review of *URCO*'s decision in accordance with Condition 14.

13.4 Once it has reviewed the decision, *URCO* will direct the Licensee in accordance with the review to:

13.4.1 *Publish* the information;

13.4.2 *Publish* the information with the confidential information removed or modified; or

13.4.3 not *Publish* the information.

Condition 14: Review of *URCO*'s decisions

14.1 The Licensee may seek a review of an *administrative decision* by *URCO*, including but not limited to a decision or direction to Publish information under Condition 13, pursuant to this Licence in accordance with the Utility Regulation and Competition Act (2024 Revision).

GENERAL LICENCE OBLIGATIONS

Condition 15: Compliance with Applicable Legislation

15.1 Subject to any modifications or exemptions granted pursuant to the Act, the Licensee must comply with any *Applicable Legislation*.

15.2 Where any obligation in this Licence is required to be performed by a specified date or time within a specified time period and the Licensee has failed to do so, the obligation will continue to be binding and enforceable after the specified date or time or after the end of the specified period but without prejudice to all rights and remedies available against the Licensee in relation to its failure.

15.3 Unless a contrary intention appears, any power of the Office under any provision of this Licence to give a direction, consent, derogation, approval, or designation is a power:

(a) to give it to such extent, for such period of time, and subject to such conditions as the Office thinks reasonable in all the circumstances of the case; and

(b) to revoke or amend it (after consulting with the Licensee, with the Licensee's consent or give it again under that power.

15.4 Unless a contrary intention appears, any power of the Office under any provision of this Licence to make a determination or decision is a power:

- (a) to make it subject to such conditions as the Office thinks reasonable in all circumstances of the case; and
- (b) to make it again under that power.

15.5 Any direction, consent, derogation, determination, approval, designation, decision, or other instrument given or made by the Office under this Licence will be given or made in writing.

15.6 In each case in which the Office may specify a date under any of the standard conditions of this Licence, it may specify:

- (a) that date; or
- (b) the means by which that date is to be determined.

15.7 Periods of the time under this Licence are to be calculated as follows:

- (a) where an act is required to be done within a specified period after or from a specified date, the period begins on the day immediately after that date;
- (b) where the period would include Christmas day, Good Friday, or a day which under the Interpretation Act (as revised) is a public general holiday in the Cayman Islands, that day is to be excluded from the calculation; and
- (c) where the period is expressed in terms of Business Days, any day that is a Saturday or Sunday is also to be excluded from the calculation.

Condition 16: Licence and Regulatory Fees

16.1 The Licensee must pay the applicable fees and charges in accordance with the Regulations. Such annual Licence & Regulatory Fees shall be payable in arrears in four equal (excepting the first such instalments) quarterly installments on the 31 March, 30 June, 30 September and 31 December in each year, commencing the first such instalment (pro-rated accordingly) on the 31 December 2018.

16.2 The Licence Fee is based on the assumption that any machinery, materials, equipment, trucks, fossil fuel, oil or lubricants (including transformer or switch oil) imported into the Islands for use exclusively in connection with the transformation, transmission or distribution of electric power as provided for under the terms of this Licence are allowed to be admitted free of import duty.

16.3 Without prejudice to any other remedies of URCO under this Licence or the Applicable Legislation, if the Licensee fails to pay any amount due to URCO under this Condition by the due date, the unpaid amount will accrue interest daily from the due date to the date of payment at three percentage points above the published base rate of local Class 'A' banks.

Condition 17: Accounting records [Section 29 (2) of the Act]

17.1 The Licensee and any related *Person* must maintain accounting records that comply

with standards accepted in the United States of America, Canada or in the United Kingdom, or such other accounting standards as the Licensee may select with the Office's approval.

- 17.2 Within thirty (30) days of each quarter end, the Licensee shall submit to the Office unaudited detailed management financial accounts showing sufficient and relevant detail so as to allow for the Office to calculate and agree the amount of the prescribed licence and regulatory fees.
- 17.3 Within twenty-one (21) days of the end of each financial year the Licensee shall submit to the Office an interim return in the form set out in Part A of Schedule 5 to this Licence containing the particulars referred to in such form in relation to the operations of the Licensee during such financial year and stating the interim rate of return for that financial year as calculated in accordance with the formula set out in Part B of the said Schedule 5 (hereinafter referred to as the '**Interim Rate of Return**') together with the Licensee's unaudited internal management accounts for the financial year in question. No expense, amount for depreciation of any asset, item of inventory prepayment or sum of working capital shall be taken into account for the purposes of determining an Interim Rate of Return for any financial year under this Condition and Schedule unless such expense, amount, item, prepayment or sum has been reasonably and necessarily incurred, expended, made and employed in producing the operating revenues for that year and no item shall be included or allowed in such determination at any figure in excess of its true and fair market value in the closest, free and convenient continental market together with the costs and expenses of its transportation to and importation into the Cayman Islands. In the event of any conflict between the wording of this Licence and that of the formula set out in Schedule 5 the wording of Schedule 5 shall prevail.
- 17.4 On an annual basis within three (3) months of its financial year end, the Licensee shall submit to the Office audited financial statements prepared in accordance with appropriate generally accepted accounting principles or otherwise as prescribed by regulations made hereunder.

Condition 18: Reporting a change in circumstances

- 18.1 The Licensee must report to *URCO*:

- 18.1.1 if the Licensee is under external administration (receivership) as defined by the *Local Companies (Control) Act (2015 Revision)*, and the *Companies Management Act (2018 Revision)* within two (2) business days of such external administration occurring; or

- 18.2 if the Licensee:

- 18.2.1 experiences a change in the Licensee's corporate, financial or technical circumstances upon which this *Licence* was granted; and
 - 18.2.2 the change may materially affect the Licensee's ability to perform its obligations under this Licence, within ten (10) business days of the change occurring; or

- 18.3 if the:

- 18.3.1 Licensee's name;
 - 18.3.2 Licensee's Company registration number; or
 - 18.3.3 Licensee's address changes, within ten (10) business days of the change occurring.

Condition 19: Provision of information [Section 9 of the Utility Regulation and Competition Act]

- 19.1** After receiving a request from the Office for Information that it requires or that it considers may be necessary to enable it to perform any functions given or transferred to it by or under any legislation or in pursuance of any requirements of the Act, the Licensee must give that Information to the Office when and in the form requested.
- 19.2** The Office's power to request Information under this condition is additional to its power to call for Information under or pursuant to any other condition of this Licence.
- 19.3** Where the Licensee provides Information to the Office in accordance with any other condition of this license, such provision will be presumed to be sufficient for the purposes of that condition unless the Office states by Notice to the Licensee that in its opinion such further Information as is specified in that Notice will be required to enable it to exercise functions under the condition in question.

Condition 20: Information Access and Audit Rights

- 20.1** The Office, and any person duly authorised by the Office, shall be entitled during normal business hours and without notice, to enter any premises owned or occupied by or in the possession of the Licensee from time to time for the purpose of inspecting any books, records and accounts of the Licensee in regards to the Electricity Service Industry and the Licensee shall be obliged to fully co-operate and assist the Office for such purpose.
- 20.2** On notice and for reasonable cause given to the Licensee, the Office shall have the right to have a firm of independent chartered accountants conduct audits of the Licensee at the Licensee's expense.
- 20.3** The Office, its agent or any person duly authorised by the Office, shall at any reasonable time (except in the case of emergencies, in which case the agent or authorised officer shall be permitted to enter at any time) be allowed to carry out the following duties:
 - (a) inspect and investigate the operation of the T&D System; and
 - (b) monitor the performance of the T&D System.

Condition 21: Asset management system

- 21.1** The Licensee must provide for an *Asset Management System* in respect of the Licensee's *T&D Assets*.
- 21.2** The Licensee must notify *URCO* of the details of the *Asset Management System* within five (5) *business days* from the later of:
 - 21.2.1** the *Commencement Date*; and
 - 21.2.2** the completion of construction of the Licensee's *assets*.
- 21.3** The Licensee must notify *URCO* of any substantial change to the *Asset Management System* within ten (10) *business days* of such change.
- 21.4** The Licensee must provide *URCO* with a report by an independent expert, acceptable to *URCO*, as to the effectiveness of the *Asset Management System* not less than once in

every period of twenty-four (24) months calculated from the *Commencement Date* (or any longer period that *URCO* allows by *notice* in writing).

- 21.5 The Licensee must comply, and must require the Licensee's expert to comply, with *URCO*'s standard audit guidelines.
- 21.6 The Licensee may seek a review of any of the requirements of *URCO*'s standard audit guidelines dealing with the *Asset Management System* in accordance with Condition 14.1.
- 21.7 The review of the *Asset Management System* must be conducted by an independent expert approved by *URCO*. If the Licensee fails to nominate an independent expert within one (1) month of the date that the review of the *Asset Management System* was due, or the independent expert nominated by the Licensee is rejected on two successive occasions by *URCO*, *URCO* may choose an independent expert to conduct the review of the *Asset Management System*.

Condition 22: Individual Performance Standards

- 22.1 Performance standards are contained in *Applicable Legislation*.
- 22.2 *URCO* may prescribe *Individual Performance Standards* applying to the Licensee in respect of the Licensee's obligations under this Licence or the *Applicable Legislation*.
- 22.3 Before approving any *Individual Performance Standards* under this Condition, *URCO* will:
 - 22.3.1 provide the Licensee with a copy of the proposed *Individual Performance Standards*;
 - 22.3.2 allow fifteen (15) *business days* for the Licensee to make submissions on the proposed *Individual Performance Standards*; and
 - 22.3.3 take into consideration those submissions.
- 22.4 Once approved by *URCO*, the *Individual Performance Standards* are included as additional terms and conditions to this Licence.

Condition 23: Performance Audit [Section 9 of the Act]

- 23.1 The Licensee must, unless otherwise notified in writing by *URCO*, provide *URCO* with a *Performance Audit* within twenty-four (24) months after the *Commencement Date*, and every twenty-four (24) months thereafter.
- 23.2 The Licensee must comply, and must require the Licensee's auditor to comply, with *URCO*'s standard audit guidelines.
- 23.3 The Licensee may seek a review of any of the requirements of *URCO*'s standard audit guidelines in accordance with Condition 14.1.
- 23.4 The *Performance Audit* must be conducted by an independent auditor approved by *URCO*. If the Licensee fails to nominate an auditor within one (1) month of the date that the *Performance Audit* was due, or the auditor nominated by the Licensee is rejected on two successive occasions by *URCO*, *URCO* may choose an independent auditor to conduct the *Performance Audit*.

Part III – Additional Licence Conditions

Condition 24: Import Duty

24.1 The Licensee will not pay customs duty on the importation of its materials, electrical and mechanical equipment fossil fuel, oil or lubricants (including transformer or switch oil) required to construct the T&D System or, in the event of catastrophic failure, to reinstate the T&D System. Customs duty at the rate of 15% will be charged on the importation by the Licensee into the Cayman Islands of all other goods not listed in Condition 16.2 to be used exclusively for the conduct and operation of the business of the Licensee in the Transmission and Distribution of electricity on Cayman Brac and Little Cayman. This rate of duty will continue at the 15% level until changed by the Cayman Islands government.

Condition 25: Engaging in Other Businesses and Outsourcing

25.1 The Licensee may allow third parties (including a subsidiary) to utilise or have access to its facilities (e.g., space on its distribution poles, un-utilised real estate) on an arms-length basis, where this will allow the Licensee to utilise more fully or more efficiently the T&D Assets. The leasing or use of such assets would be offered subject to approval by the Office, which approval shall not be unreasonably withheld, but shall not be given if the Office is reasonably satisfied that such approval is not in the interests of Consumers. The Licensee shall not build its T&D Assets explicitly for the purpose of accommodating such non-electric uses.

25.2 The Licensee may utilise the services of third parties on an ongoing basis in the provision of T&D services (i.e. the Licensee may ‘outsource’ certain of its T&D functions). Procurement of such outsourced services shall be subject to the Office approval if they represent core and ongoing T&D functions, but not including temporary specialty support.

Condition 26: Communication

26.1 The Licensee shall designate a person that will act as a primary contact with the Office on matters related to this Licence. The Licensee shall notify the Office promptly should the contact details change.

Condition 27: Environment

27.1 The Licensee shall comply with all applicable environmental laws and shall, if so requested by URCo, furnish a statement setting out the manner in which the Licensee proposes to comply with the duties imposed by environmental laws. The Licensee shall provide, if requested by URCo, a report on its compliance with environmental laws and shall update such report as requested from time to time by URCo. Environmental laws include those whose purpose is the protection of the environment including the protection of human health, flora, fauna and the eco systems on which they depend.

Condition 28: Force Majeure

28.1 To the extent that the Licensee is prevented by Force Majeure from carrying out, in whole or part, its obligations under this License and the Licensee gives notice and details of the Force Majeure to the Office as soon as practicable, then the Licensee shall be excused from the performance of its specific obligations prevented by the Force Majeure conditions during the period for which the Force Majeure conditions apply. The Licensee shall take all reasonable and necessary steps to enable it to perform such obligations with all

reasonable dispatch after the period of Force Majeure.

Condition 29: Early Retirement of Assets

29.1 The Licensee may retire assets early, provided that any decision to retire assets early shall be subject to the approval of the Office, which approval shall not be unreasonably withheld. On early retirement of assets, the Licensee shall be allowed to recover the net book value of all T&D Assets whether those assets are on its books at the effective date of the Licence or are additions to the Licensee's Base Rates during the term of the Licence. This financial recovery shall be independent of whether these assets are physically retired before the end of their book life based on an economic evaluation or any change in Cayman Islands government policy or regulatory action. Such recovery shall take place through the continued depreciation of such assets until the end of their book life.

Condition 30: Rates/Prices

30.1 Subject as hereinafter appears, the Licensee shall be bound by and adhere to the tariff rates in force as at the date of signature of this Licence by both parties to this Licence and shall not increase the said rates or impose new rates without the prior written approval of the Office.

30.2 The Office may, on its own accord, initiate a price review of the Base Rates set forth in Schedule 4 should the Licensee procure or is reasonably able to procure the fossil fuel at a lower price.

30.3 Adjustments may be made in accordance with the provisions of this Condition when variations occur in the cost to the Licensee of fossil fuel used in the generation of electricity under this Licence. Within fifteen (15) days of the end of any month in which any such variation occurs, the Licensee shall determine the Fuel Adjustment Factor for that month in accordance with the formula set out in Schedule 3 of this Licence and give notice thereof to the Office together with evidence if requested by the Cayman Islands Government, of the purchase and consumption of fossil fuel during that month by means of:

- (a) copies of suppliers' invoices, certified correct by them; and,
- (b) measurements of fossil fuel stocks made by employees of the Licensee by means of readings of meters, calibrated tapes or level indicating meters.

The Licensee shall reduce or increase (as the case may require) their charges for every kilowatt hour of electricity charged in any bill issued after the end of the month in which the Fuel Adjustment Factor is so determined by the amount of the Fuel Adjustment Factor until such time as another Fuel Adjustment Factor has been determined under this Condition.

For the purposes of this Condition, the cost of fossil fuel used in any month shall be determined on a 'first in, first out' basis and the volume thereof shall be determined by taking the total of all deliveries of fossil fuel received by the Licensee at their plants during the month and adjusting it for changes in the level of fossil fuel stocks at the beginning and the end of the month as measured by means of meters, calibrated tapes or level indicating meters. The Office reserves the right to witness the measurement of any monthly fossil fuel stocks.

30.4 The Licensee shall at all times maintain reserves of fossil fuel such that the Licensee shall be able to supply electricity for not less than twenty (20) days at a level equal to peak power demand.

30.5 Immediately from the date hereof and thereafter not later than fifteen (15) days after the end of each calendar quarter the Licensee shall supply to the Office a report on the technical aspects of the Licensee's operations during that quarter which report shall include the following information:

- (a) installed generating capacity at the beginning and the end of the quarter;
- (b) capacity and commissioning date of any new generating plant installed during the quarter;
- (c) kilowatt hours of electricity generated in each month;
- (d) kilowatt hours of electricity sold in each month;
- (e) maximum peak fifteen-minute load generated in each month;
- (f) imperial gallons of fossil fuel consumed in each month;
- (g) total number of consumers at the end of each month divided into tariff categories.

Condition 30A: Rate Structure

30A.1 As used herein, all rate adjustments will be applied to Consumers' bills on the first normal billing date following the Effective Date and will apply to the monthly consumption on that bill.

30A.2 From the Effective Date, the new Base Rates will be determined in accordance with the formula set out in 30C.4 below.

30A.3 Subject to Conditions 30A.6, Base Rates will be adjusted annually in accordance with the RCAM. Following the rate increase on the Effective Date, annual rate adjustments will be calculated in accordance with the RCAM and shall be effective each June 1. Changes to the RCAM will only be made as set forth in Condition 30C.

30A.4 The Licensee will calculate the rate adjustment in accordance with the RCAM and will implement the same upon approval by the Office, which shall not be unreasonably withheld or delayed. If the Licensee submits a valid request for rate adjustment in a timely manner and the Office's processing of the application unreasonably delays the implementation of the rate adjustment, the Licensee shall be entitled to receive a rate adjustment that would provide it with the revenues it would have earned had the rate adjustment been implemented at the appropriate time.

30A.5 The Z Factor, as defined in Condition 30C.5, represents a charge to Consumers to recover unusual expenses outside of the control of the Licensee that are permitted to be recovered through a rate surcharge pursuant to this Licence and approved by the Office.

30A.6 Separately or in conjunction with other rate adjustments as set forth above, the Licensee may adjust Base Rates to achieve other objectives upon approval of the Office. Such adjustments may include, but are not limited to, revising the rate design, rebalancing rate levels between Consumer classes, redefining Consumer classes or creating new Consumer classes, or implementing incentive rate structures or optional rates. It is expected that any such revisions would be supported by appropriate analysis from the Licensee and subject to review and approval by the Office. Notwithstanding any specific analyses and adjustments, the Licensee shall provide the Office with a comprehensive allocated cost of service study of Base Rates at least every five years.

30A.7 The Licensee will submit annual updates to the Office of its total 5-year capital expenditure plan. Any needed Generation Capacity shall be solicited in accordance with the Generation Solicitation Process.

30A.8 The Licensee shall submit its Capital Investment Plan (CIP) to the Office within three months of signing this Licence and annually thereafter, with a deadline to be decided by the Authority in consultation with the Licensee. The CIP will provide a listing of all projects currently being implemented, as well as those for which implementation is planned to begin within the five-year period considered in the CIP. Actual and forecast expenditures on the listed projects are to be indicated for each of the following periods-

- (a) prior to year 1;
- (b) each of the years 1 through 5 inclusive; and

(c) beyond year 5.

Individual projects for which investment amounts do not exceed three percent (3%) of the total investment forecast in any one year may be presented in groups of similar characteristics(e.g. low voltage distribution line extensions). Descriptions of such projects will provide such information as will enable the Office to understand the rationale behind the proposed investment. However, the Licensee shall provide details of all projects for which the forecast expenditure in any one year exceeds three percent (3%) of the total investment projected for that year, as well as for any project for which the total forecast expenditure over the five years exceeds three percent (3%) of the total expenditure forecast for that period. The Authority will have the right to require submission of any information relevant to any proposed investment, regardless of the forecast monetary value. The intent of the forecasting process is not to involve the Office in the Licensee's routine management decisions but to enable it to determine the reasonableness and efficiency of the proposed investments with respect to the provision of electricity service on Cayman Brac and Little Cayman.

Condition 30B: Pass-through Charges

30B.1 Pass-through charges for (a) Fuel Costs and (b) Government and Regulatory Costs will be shown as separate items on a Consumer's bill, and the charges will be designed to recover 100% of the actual costs of these items as described in more detail below.

30B.2 Fuel Cost Charge:

30B.2.1 Fuel Costs are the actual cost of fuel and lubricants used in the generation of electricity by the Licensee pursuant to its Generation Licence or by a Generation Licensee pursuant to the relevant PPA between the Licensee and the Generation Licensee. Fuel Costs do not constitute a component of Base Rates but will instead be collected from Consumers through the Fuel Cost Charge.

30B.2.2 The Fuel Cost Charge represents a per kWh charge designed to fully recover Fuel Costs from Consumers. The Fuel Cost Charge will be calculated monthly to recover Fuel Costs on a timely basis. The Licensee will establish a formula for the Fuel Cost Charge. A Fuel Cost Tracker Account will form a component of the formula to ensure that, over time, the Fuel Costs are passed through to the Consumers without benefit or cost to the Licensee.

30B.2.3 The Fuel Cost Tracker Account will accumulate actual Fuel Costs incurred less actual revenues collected from the Fuel Cost Charge as billed on an ongoing basis. The ending balance of the Fuel Cost Tracker Account for any given month will be determined each month by adding the previous month's ending balance, positive or negative, with the actual Fuel Costs for a given month, less the actual Fuel Cost Charge billings during the given month.

30B.2.4 Initially, the Government and Regulatory Charge shall be applied as a two - tiered rate applied only to kWh consumption great than , 1000 kWh per Consumer per month.

30B.3 Government and Regulatory Costs:

30B3.1 The Government and Regulatory Costs include the Licence Fees and Regulatory Fees pursuant to this Licence. In addition, these costs will include any future levy or charge imposed by the Government that the Licensee is required to pay directly or that the Licensee is required to collect from Consumers and remit to the Government on behalf of Consumers. These costs do not include Government duties on fuel, which will be included in the Fuel Charge, customs duties and other Government charges.

30B3.2 The Government and Regulatory Charge represent a per-kWh charge, separate from rates, designed to fully recover the Government and Regulatory Costs from Consumers. The Government and Regulatory Costs will be assessed using the Licensee's annual budget forecast each year to assess gross billing revenues, and other income on which the Licence Fee and the Regulatory Fee will be

calculated. The dollar calculation of such costs will then be divided by the forecast kWh sales to establish a per kWh charge to be applied to Consumers' bills for the future financial period in question. The Government and Regulatory Charge may be adjusted quarterly to recover Government and Regulatory Costs on a timely basis. The Licensee will establish a formula for the Government and Regulatory Charge. A Government and Regulatory Tracker Account will form a component of the formula to ensure that, over time, the Government and Regulatory Costs are passed through to the Consumers without benefit or cost to the Licensee.

30B3.3 The Government and Regulatory Tracker Account will accumulate actual Government and Regulatory Costs incurred, less actual Government and Regulatory Costs billed on a quarterly basis. The ending balance of the Government and Regulatory Tracker Account for any given financial year will be determined each year by adding the previous year's ending balance, positive or negative, with the actual Government and Regulatory Costs for a given year, less the actual Government and Regulatory Costs billed during the year.

Condition 30C: Rate Cap and Adjustment Mechanism (RCAM)

30C.1 The RCAM is based on a formula that incorporates readily available external data to determine the Price Level Index. The Price Level Index is adjusted by an appropriate factor, which may provide for a rate increase less than, equal to, or greater than the Price Level Index, or for no increase. The relationship of the level of adjustment to the Price Level Index is based on the Licensee's Return on Rate Base, which is to be calculated from the most recent audited financial statements.

30C.2 All of the provisions regarding the RCAM described in this Condition 30C will apply until 31 March 2028. New provisions will apply from 1 April 2028, after the publication by the Office of an administrative determination on the appropriate RCAM methodology for the Cayman Islands electricity sector.

30C.3 Subject to Condition 30C.2 above, the Office shall review the RCAM as part of the five-year review. In addition, and again subject to Condition 30C.2 above, the Licensee may request or the Government may direct at any time that the Office review the RCAM, recognising that actual circumstances may result in performance outside the bounds of reasonable expectations. For example, the Licensee's business results and financial stability may be affected by circumstances or conditions outside its direct control.

30C.4 The RCAM will adjust the Base Rates on June 1 of each year (unless a change is agreed upon by the Licensee and the Office) in accordance with the following formula:

$$\text{New Base Rate} = \text{Current Base Rate} \times \{100\% + P \times (100\% - X)\}$$

The Z Factor will be added where necessary in accordance with Condition 30C.5.

Where,

P = change in the Price Level Index, composed of a 60% weighting of the Cayman Islands

Consumer Price Index (CI CPI) and a 40% weighting of the United States of America Consumer Price Index (US CPI), (both after adjusting to remove the effects of prices of food and fuel), expressed as an annual percentage change as reported for the most recent calendar year (e.g. 3.0%);

X = the X Factor, or "productivity factor", which is the amount by which the effects of inflation (P) will be reduced in determining the rate adjustment, expressed as a percentage or proportion of P.

30C.5 A Z Factor may be added to the Base Rate in effect from time to time. The Z Factor is the Island Energy Limited, Version 2, XX January 2026

amount, expressed in cents per kWh, approved by the Office and estimated to recover the sum of those cost items deemed to be outside the constraints of the RCAM.

30C.6 The X Factor to be used in the annual Base Rate adjustment as defined in Condition 30C.4 above will be determined by the Licensee's Return on Rate Base for the most recent financial year for which audited financial statements are available as set out in the following table:

Range of Return on Rate Base Values	X Factor	Change in Base Rates as a percentage of P (100% - X)
Over 13%	140%	- 40% (rate reduction)
11 -13%	100%	0% (no rate adjustment)
9-11%	20%	80%
7-9%	0%	100%
Below 7%	-40%	140%

30C.7 The ranges of Return on Rate Base in the above table will be adjusted annually on a one-for-one basis with changes in the Cost of Capital, which is set by the formula as described in Condition 30C.12.

30C.8 The "9 - 11%" range of Return on Rate Base in the table above, as such range may be adjusted from time to time by changes in the Cost of Capital as prescribed in Condition 30C.12, shall be the target range of Return on Rate Base. The midpoint of the target range of Return on Rate Base shall constitute the definition of financial well-being of the Licensee. It is the Office's responsibility to adjust the X factor, and the Office will use such midpoint as the appropriate target for any decisions regarding changes to the X Factor or any other pricing-related decisions of the Office permitted by this Licence or the Act.

30C.9 Return on Rate Base is the fraction, expressed as a percentage, of Licensee Income for the financial year as the numerator and Rate Base as the denominator, as per the formula below:

$$\text{Return on Rate Base (\%)} = \text{Licensee Income} \div \text{Rate Base}$$

30C.10 Licensee Income is the net earnings before preference dividends, or any other expenses related to distributions to shareholders other than common shareholders, adjusted by adding back interest expense, as determined from the audited financial statements of the Licensee for the financial year then ended. This definition is provisional based on the assumption that the composition of earnings and interest expense for the year will continue to incorporate the specified accounting treatment for each of the defined terms herein as currently defined by applicable accounting principles.

30C.11 Rate Base is the value of capital upon which the Licensee is permitted an opportunity to earn the Return on Rate Base as established by this Licence. The value of this capital is the average of the beginning and ending values for the applicable financial year of: Fixed Assets, less Accumulated Depreciation, plus the Allowance for Working Capital, plus Regulatory Assets, if any, less Regulatory Liabilities, if any.

30C.11.1 Fixed Assets are the Property Plant & Equipment, before Accumulated Depreciation, as reported in the Licensee's audited financial statements for any given year. Fixed Assets will be increased by the original book value of lands, buildings, plant and equipment, including computer software, acquired or constructed by the Licensee. The

original book value of these Fixed Assets will include an Allowance for Funds Used during Construction (AFUDC), as defined below, and an Allowance for General Expenses Capitalised. Fixed Assets will be decreased by the retirement of the original book value of lands, buildings, plant and equipment, including computer software, permanently removed from service by the Licensee. The original book value to be retired will include any AFUDC and any Allowance for General Expenses Capitalised, if applicable.

30C.11.2 Accumulated Depreciation is the accumulated depreciation as reported on the Licensee's audited financial statements for any given year. Accumulated Depreciation is increased by the Depreciation of Fixed Assets. Additionally, Accumulated Depreciation will be reduced by the original book value of Fixed Assets retired, plus disposal cost expenditures, net of salvage proceeds.

30C.11.3 Depreciation is the straight-line amortisation of Fixed Assets at percentage rates established, from time to time, by the Licensee that are designed to recover the original cost of Fixed Assets over their economic life. The rates will vary with each class of assets depending on estimates of the average useful life. Depreciation rates will include an allowance for estimated disposal costs, net of salvage, to be recovered over the economic life of the Fixed Assets.

30C.11.4 Allowance for Funds Used during Construction (AFUDC) is the financing cost calculated by multiplying the Licensee's Cost of Capital, adjusted accordingly for periods of application that are less than one year, by the average Work In Progress for the given period. AFUDC is a provision for Cost of Capital to be included in Fixed Assets that represents the financing costs associated with the interim financing of capital expenditures through Work In Progress. AFUDC will be calculated and applied to Work In Progress monthly as follows: $(\text{Licensee's Cost of Capital} \div 12) \times \text{Average Work In Progress for the Month}$ Where the average Work In Progress for a given month is calculated from the opening and ending balances for the month, before the application of AFUDC.

30C.12 The base year Cost of Capital of the Licensee is 10 per cent. The Cost of Capital will be adjusted annually on a fiscal year basis according to the following formula:

$$\text{Cost of Capital} = 10\% + [0.75 \times (\text{Average Treasury Yield} - 5\%)]$$

Where,

The Cost of Capital of the Licensee for the year ended 31 December 2025, the base year of the Licence, is 10 per cent. For all years after the base year, the Cost of Capital will be subject to adjustment for a given year, if required based on the above formula;

The Average Treasury Yield represents the average yield of 10-Year United States Treasury Notes for the preceding fiscal year; and

The calculation of $[0.75 \times (\text{Average Treasury Yield} - 5\%)]$ is rounded up or down to the nearest 0.25 per cent, either positive or negative, before adding to, or deducting from, the Cost of Capital.

30C.13 Work In Progress (WIP) represents Fixed Assets of the Licensee that are under construction or in the process of implementation and are not yet used and useful. WIP will not be considered as a part of Rate Base until the asset in question is completed and placed into service. No depreciation will be taken on WIP until the Fixed Assets have been placed into service. WIP will include AFUDC.

30C.14 General Expenses Capitalized (GEC) are a portion of Non-Fuel Operating Expenses of the Licensee that are capitalized as a component of Fixed Assets. GEC represents the fact that a portion of Non-Fuel Operating Expenses are related, directly or indirectly, to the Licensee's capital projects. Indirect GEC will be calculated as a percentage of up to 10 per cent of Non-Fuel Operating Expenses and will vary annually depending on the level of the Licensee's activity for the year under the Capital Investment Plan.

30C.15 Non-Fuel Operating Expenses represents all operating expenses as reported in the

financial statements of the Licensee, net of Fuel Costs.

30C.16 Allowance for Working Capital is equal to 30 days of total revenues, as represented in the audited financial statements of the Licensee, including Base Rate, Fuel Costs and Z Factor charges and other income, but excluding Government and Regulatory Costs. This allowance is calculated according to the following formula:
(Total revenue for the preceding financial year ÷ 365) x 30

30C.17 Regulatory Assets or Regulatory Liabilities represent assets or liabilities that are classified in the financial statements of the Licensee as required by generally accepted accounting principles as a result of the provisions of this Licence, by order of the Office or by a directive of the Government. These assets or liabilities will only be added to Rate Base as defined in Condition 30C.11 to the extent that they are not included in Fixed Assets.

Condition 30D: Reserves and Reporting

30D.1 The Licensee shall at all times maintain reserves of fossil fuel on the island such that the Licensee shall be able to supply electricity for not less than twenty (20) days at a level equal to peak power demand.

30D.2 Not later than fifteen (15) days after the end of each calendar quarter, the Licensee shall supply to the Office a report on the technical aspects of the Licensee's operations during that quarter, which report shall include the following information:

30D.2.1 installed generating capacity at the beginning and the end of the quarter;

30D.2.2 capacity and commissioning date of any new generating plant installed during the quarter;

30D.2.3 kilowatt hours of electricity generated in each month;

30D.2.4 kilowatt hours of electricity sold in each month;

30D.2.5 maximum peak fifteen-minute load generated in each month;

30D.2.6 imperial gallons of fossil fuel consumed in each month;

30D.2.7 total number of consumers at the end of each month divided into tariff categories.

Condition 31: Fair Competition

31.1 Subject only to the Licensee's exclusive rights as described in Condition 2.1 of this Licence, the Licensee shall:

31.2 At all times manage and operate the Transmission and Distribution Business in a way that is calculated to ensure that it does not restrict, prevent, or distort competition in the supply of electricity and the generation of electricity.

31.3 Comply with any direction issued by the Office for the purpose of preventing any practice or arrangement that has the object or effect of preventing, restricting or distorting such competition, and

31.4 Ensure in carrying on its activities that Transmission and Distribution Business does not give any cross-subsidy to, receive any cross-subsidy from, any other of:

(a) The Licensee; or

(b) Any Affiliate or Related Undertaking of the Licensee.

Condition 32: Data Protection

32.1 The Licensee shall not make use of any data of any nature which becomes available to it directly or indirectly as a result of the Generation, Transmission and Distribution Business in any way which, in the reasonable opinion of the Office, would unduly prefer the interests of any business carried on by the Licensee or an Affiliate of the Licensee, or place other Electricity Generators and Suppliers at an unfair disadvantage.

32.2 The Licensee shall undertake any and all relevant processes and activities for the purpose of reducing the risk, and subsequent impact and consequences, of any inaccurate or incomplete reporting, or any misreporting, of information to the Office.

32.3 The Licensee shall:

- (a) comply with the provisions of any local data protection legislation as well as any international legislation that is applicable to the jurisdiction;
- (b) Carry out, whenever the Office directs, a risk assessment in accordance with such timescales as are specified by the Office;
- (c) If directed by the Office, procure an independent review of its data protection activities in accordance with such provisions and timescales as are specified by the Office;
- (d) Provide to the Office, in accordance with such provisions and timescales as are specified by the Office, reports that variously contain:
 - (i) the results of the Licensee's risk assessment;
 - (ii) a description of the data protection activities that the Licensee intends to undertake concerning breaches; and
 - (iii) if required, the details and results of any independent review procured by the Licensee of its data protection activities.

32.4 The Licensee shall have in place and maintain appropriate systems, processes, and procedures to enable it to perform its obligations under Condition 33.3.

32.5 The Licensee must not, in respect of any relevant premises

- (a) To which the electricity is supplied through an Electricity meter that forms part of a smart Electricity Meter system; and
- (b) In respect of which the quantity of electricity supplied is measured by that Electricity Meter, obtain any electricity consumption data which relates to a period of less than one (1) month.

32.6 Exceptions to the prohibition in Condition 32.5 are outlined below:

- (a) The Licensee has submitted proposals to demonstrate to the satisfaction of the office that it can implement practices, procedures and systems which are designed to ensure that, so far as is reasonably practicable, the outcome described at Condition 32.7 is achieved;
- (b) The Office has given approval to the Licensee to obtain, once it has implemented such practices, procedures and systems, Electricity consumption data which relates to any one or more periods of less than one (1) month; and
- (c) The Licensee has implemented those practices, procedures and systems.

PART IV Transmission & Distribution

Condition 33: Service Levels

33.1 The Licensee shall develop and operate the Transmission and Distribution Business so as progressively to achieve service levels in line with international best practice and such other benchmarks as the Office may direct from time to time.

33.2 Without limiting the requirements of Condition 33.1, within six (6) months of the Licence Commencement Date the Licensee shall submit to the Office a plan setting out the target levels it will achieve in accordance with Condition 33.1 for the Transmission and Distribution Business (to be known as the “T&D Development Plan”) and a service monitoring plan (to be known as the T&D Monitoring Plan”) which provides for accurate measurement of each of the target levels set out in the T&D Development Plan, together, “The Plans”.

33.3 The Plans will describe:

33.3.1 How actual performance will be monitored;

33.3.2 The process for the collection and analysis of suitable data; and

33.3.3 The procedures for internal review and performance improvement planning by the Licensee.

33.4 The Office may direct the Licensee to update and resubmit the Plans from time to time.

33.5 The Office may direct the Licensee as to matters to be included in the Plans and may amend or replace such direction from time to time.

33.6 The Office may include as a condition in this Licence the targets specified by the Licensee in the Plan and the Licensee shall be deemed to be in breach of its Licence if the target levels are not achieved.

33.7 Within thirty (30) days of the end of each six (6) month period during the Term, the Licensee shall provide the Office with a written report in a form required by the Office on its achievements under the Development Plans during the preceding six (6) month period, as set out in Condition 33.2.

33.8 The Licensee shall comply with any directions issued by the Office from time to time, regarding any other quality of service indicators and measurement methods for the Transmission and Distribution Business and shall, as and when required, supply the Office in a form specified by the Office, the results of its measurements of actual performance against any quality of service indicators and measurements so specified, and the Office may publish or require publication of such information as the Office considers appropriate.

33.9 The Licensee shall ensure the accuracy and reliability of any systems, equipment, data or procedures which the Licensee uses to measure or to track the provision of the Transmission and Distribution Business or for the calculation of related charges.

Condition 34: Emergency Management Plan

34.1 The Licensee shall submit to the Office for its records, and adopt an emergency preparedness and business continuity plan that specifies how the Licensee prepares for, handles and recovers from emergencies and business interruptions.

Condition 35: Powers of Licensee

35.1 Save as set out in this Licence, the Licensee shall discharge its obligations and perform the duties imposed or authorised under the Laws, and shall enjoy the rights and exercise all powers conferred by such legislation on Licensees authorised to supply electricity.

35.2 The Licensee shall have the right to enter and inspect any premises holding electrical equipment or the electrical equipment within the area defined in this Licence where any danger to property or person is observed and may disconnect any main supply until satisfied that the danger has been removed.

35.3 Subject to the provisions of the Development and Planning Act (2017 Revision) as amended and any other provisions of any Act from time to time existing where such provisions are applicable, the Licensee may enter upon any public or private, land and there cut traces, install mains, poles, wires or associated equipment and control vegetation by the uprooting, felling or lopping of trees and shrubs;

35.4 Provided that:

35.4.1 In the case of public land, the consent of Cabinet is first obtained in that behalf and the Licensee complies with such terms and conditions as Cabinet sees fit to impose; or

35.4.2 In the case of private land, the Licensee obtains a licence upon such terms as may be mutually agreed from any person whose interest in the said land is thereby affected.

35.4.3 Provided further that where the Licensee and any interested party are unable to reach agreement for the purpose of Condition 35.4.2 above the dispute shall be submitted the URCL dispute resolution process, or to arbitration under the Arbitration Act, 2012 and the award of the Arbitrator or Umpire, as the case may be, shall be final and binding upon the parties.

35.4.4 If in construction, maintenance and repair of its electric lines, it shall be necessary for the Licensee to disturb public ways and places or the plant of any other utility, the Licensee shall promptly restore or pay the cost of restoring such public ways and places and utility plant to at least as good a condition as they were before such disturbance.

PART V – Technical Conditions

Condition 36: Compliance with Technical and Operational Codes

36.1 The Licensee shall comply with the provisions of any approved T&D system planning and reliability standards, and the existing technical and operational codes insofar as applicable to it with such modifications as the Office may direct.

36.2 The Office may, following consultation with the Licensee (and, in relevant circumstances, any stakeholders liable to be materially affected thereby and such other parties as the Office shall consider appropriate), issue directions relieving the Licensee of its obligation under Condition 36.1 in respect of such parts of any approved technical and operational codes to such extent as may be specified in those directions.

36.3 The Licensee shall plan and operate its T&D System to ensure that, subject to the availability of adequate power of appropriate quality, the system is capable of providing Consumers with a safe, reliable and efficient supply of electricity. In particular, the Licensee shall:

36.3.1 Plan and develop its T&D System in accordance with the T&D system planning and reliability standards together with the T&D Code as approved by the Office; and

36.3.2 Operate the Licensee's T&D System in accordance with the T&D System operating standards together with the T&D Code as approved by the Office.

36.4 Save as hereinafter provided, the Licensee shall plan for, service, and extend service to, any location and to any person in the Licence Area who applies to the Licensee for the supply of electricity without discrimination against or preference to any Person.

36.5 The Licensee shall maintain its T&D System and provide service to Consumers as part of its T&D business.

36.6 The Licensee shall, within sixty (60) days of the end of each financial year, submit to the Office a report indicating the performance of the Licensee's T&D System during the previous financial year. The Licensee shall, if required by the Office, publish a summary of the report in a manner approved by the Office.

36.7 The Licensee shall conduct its T&D business in the manner which it reasonably considers to be best calculated to achieve the T&D System operating standards in connection with provision of supply services and the promotion of the efficient use of electricity by Consumers.

36.8 The Licensee shall not sell, or otherwise provide, electricity to any Person other than in accordance with this Licence.

36.9 The Licensee shall provide backup electricity supply, stand by connection and Interconnection to any Person requiring such service in accordance with the provisions of the Act. Such backup service shall be provided at rates proposed by the Licensee and approved by the Office.

36.10 The Licensee shall supply annually, information to the Office as to the means by which it proposes to achieve the T&D operating standards and other standards referred to in this Condition 36.

Condition 37: Economic Purchasing of Goods, Assets and Services

37.1 In contracting or arranging for the provision of goods, assets and services required to enable the Licensee to conduct the Transmission and Distribution business, the Licensee shall purchase or otherwise acquire such goods, assets and services from the most economical sources available to it, having regard to the quantity and nature of the goods, assets and services required to enable it to discharge its obligations under the Act and this Licence and to the diversity, number and reliability of such goods, assets and services at that time available for purchase or other acquisition.

37.2 Any contracts or arrangements for the purchase of goods, assets or services from an Affiliate or a related person shall be on arm's length terms.

Condition 38: Connection to the Transmission and Distribution System – Requirement to Offer Terms and Conditions

38.1 The Licensee shall subject to Conditions 38.3 and 38.4:

- (a) Offer to enter into an agreement to provide a connection to the T&D System with any Generator who has made an application for connection to the T&D System; and
- (b) Offer to enter into an agreement for the modification of a connection to the T&D System with any Generator who has made an application for modification of a connection to the T&D System.

38.2 The Licensee shall offer terms and conditions for an agreement in accordance with Condition 38.1 as soon as practicable and, in any event, not more than three (3) months after receipt by the Licensee of an application containing all such information as the Licensee may reasonably require for the purposes of formulating the terms and conditions of its offer.

38.3 The Licensee shall not be obliged pursuant to this requirement to offer to enter into any agreement where it has demonstrated to the Office that, by reason of the capacity of the T&D System and the use made or reasonably expected to be made of it, the Licensee would be required to expand or reinforce the capacity of the T&D System and where it would not, having regard to all the circumstances, be in the public interest for the Licensee to undertake such expansion or reinforcement.

38.4 The Licensee shall not enter into any agreement with any Generator if to do so would be likely to involve the Licensee:

- (a) In breach of any approved technical or operational codes; or
- (b) In breach of the Act or any regulations made under the Act; or
- (c) In breach of any enactment relating to safety or standards applicable to the T&D System; or
- (d) In breach of the Conditions.

38.5 Where the Licensee refuses to enter into an agreement with any Generator in accordance with Conditions 38.3 and 38.4, the Licensee shall as soon as practicable and, in any event, not more than one (1) month after receipt by the Licensee of an application from that Generator, notify that Generator of the refusal, specifying the reasons for refusal.

Condition 39: Basis of Charges for Connection to and Use of the Transmission and Distribution System

39.1 The Licensee shall, as soon as practicable and, in any event, within six (6) months after this Licence has come into force, prepare a statement in a form approved by the Office setting out the basis upon which the charges for connection to and use of the T&D System in respect of generation and supply will be made.

39.2 The Licensee may periodically review and amend the information set out in and, with the approval of the Office, alter the form of the statement prepared in accordance with Condition 39.1 and shall, at least once in every year this Licence is in force, and at such other times as the Office may direct, review and amend such statement in order that the information set out in the statement shall continue to be accurate in all material aspects.

39.3 Following the preparation of the statement pursuant to Condition 39.1 and any review pursuant to Condition 39.2, the Licensee shall send to the Office:

- (a) A copy of the statement and report on the outcome of any review as the case may be;
- (b) Any proposed revisions to the statement from time to time as the Licensee reasonably thinks necessary; and
- (c) Any other information that the Office may request in relation to the statement or review.

39.4 Having considered the information provided pursuant to Condition 39.3 and such other information as the Office considers appropriate, the Office may direct the Licensee to change any matters in the statement and the Licensee shall comply with such directions.

39.5 The Licensee shall give or send a copy of the statement prepared in accordance with Condition 39.1 or (as the case may be) of the latest revision of such statement in accordance with Condition 39.2 to any Generator who requests a copy of such statement.

39.6 The Licensee may make a charge for any statement given or sent pursuant to Condition 39.5 of an amount reflecting the Licensee's reasonable costs of providing such a statement which shall not exceed the maximum amount specified in directions issued by the Office from time to time for the purposes of this Condition.

Condition 40: Provision of Information to other Licensees

40.1 The Licensee shall furnish to generation licensees, in such manner and at such times as may be reasonably required, such information as may be reasonably required by those licensees in order to ensure the secure and efficient operation, coordinated development and inter-operability of the electricity network.

Condition 41: System Capacity

41.1 The Licensee shall, on an annual basis, prepare and publish a statement, in a form approved by the Office, showing, in respect of each of the five (5) succeeding financial years, circuit capacity, forecast power flows and loading on each part of the T&D System and fault levels for each transmission and distribution node, together with:

- (a) Information on the status of Transmission and Distribution capacity and the anticipated future requirements of Transmission and Distribution capacity;

- (b) A commentary prepared by the Licensee indicating the Licensee's views as to those parts of the T&D System most suited to new connections; and
- (c) Such other matters as shall be specified in directions issued by the Office from time to time for the purposes of this Condition;

41.2 The Office may, upon application of the Licensee, relieve the Licensee from the obligation to prepare any such statement in respect of any period and any part or parts of the T&D System specified in directions issued to the Licensee by the Office from time to time for the purposes of this Condition.

41.3 The Licensee may, with the prior agreement of the Office, omit from any such statement (excluding the copy provided to the Office) any details as to circuit capacity, power flows, loading or other information, disclosure of which would, in the view of the Office, seriously and prejudicially affect the commercial interest of the Licensee or any third party.

41.4 The Licensee may periodically revise the information set out in and, with the approval of the Office, alter the form of statement prepared in accordance with condition 41.1 and shall, at least once in every year this Licence is in force, and at such other intervals, as the Office may direct, revise and republish such statement in order that the information set out in the statement shall continue to be accurate in all material respects.

41.5 The Licensee shall send a copy of the statement prepared in accordance with Condition 41.1 and of each revision of such statement in accordance with Condition 41.3 to the Office and the Office may direct the Licensee to change any matters in the statement and the Licensee shall comply with such directions.

41.6 The Licensee shall:

- (a) Give or send a copy of the statement prepared in accordance with Condition 41.1 or (as the case may be) of the latest revision of such statement in accordance with condition 41.3 approved by the Office pursuant to such Condition to any person who request a copy of such statement; and
- (b) At the same time, make this information available generally by way of the Licensee's website.

41.7 The Licensee may make a charge for any statement given or sent pursuant to condition 41.1(b) of an amount reflecting the Licensee's reasonable costs of providing such a statement which shall not exceed the maximum amount specified in directions issued by the Office from time to time for the purposes of this Condition.

Condition 42: Security and Safety of Supply

42.1 The Licensee shall make arrangements to keep each of its Consumers informed of the postal address and telephone number of an enquiry services established and operated for the purposes of receiving reports from any person about any matter or incident that:

- (a) Causes danger or requires urgent attention, or is likely to cause danger or require urgent attention, in relation to the supply or supply of Electricity; or
- (b) Affects or is likely to affect the security, availability or quality of service of the Licensee's supply system through which the relevant Consumer is supplied with Electricity.

42.2 The enquiry service referred to at Condition 42.1 must be:

- (a) provided without charge to the Consumer;
- (b) available to receive and process telephone reports and enquiries at all times on every day of each year; and
- (c) operational no later than such date as the Office shall specify.

42.3 The Licensee may discharge the duty imposed by Condition 42.1 by providing the requisite information to each of its Consumers:

- (a) on the occasion of the Consumer first commencing to take a supply from the Licensee; and thereafter
- (b) either:
 - (i) where bills or statements in respect of charges for the supply of Electricity are rendered to the Consumer, on a quarterly basis (it being sufficient that the information is included on or with any bill or statement); or
 - (ii) in any other case, on an annual basis;

and by publishing such information in such manner as will, in the opinion of the Licensee, secure adequate publicity for it.

42.4 The Licensee shall, in so far as is practicable, take steps to inform each of its Consumers of any change to the address or telephone number of the service referred to at Condition 42.1 prior to such change becoming effective.

Condition 43: Consumer Protection

43.1 The following Codes, and Guidelines will be adhered to by the Licensee:

- a) Consumer Protection Regulations (Energy and Utilities Sector);
- b) Customer Service Code; and
- c) Outage Reporting Guidelines

Condition 44: Joint Use of Poles

44.1 The Licensee may enter into any arrangement or contract for the joint use of poles with television (TV) companies or telecommunications service providers so long as such use shall not contravene any other law or violate any safety code or, in the sole opinion of the Licensee, provide an unsafe working condition for the Licensee's employees. Such arrangements or contracts must be deposited with the Office.

44.2 The Licensee shall publish a code of practice for use by TV companies and telecommunications service providers, setting out the procedures that are in place for management of these joint-pole arrangements and the standards for use of its poles by these companies. A copy of this code of practice, along with the scale of charges that may be in effect for the time being must be deposited with the Office.

44.3 The prices which the TV companies and telecommunications service providers are charged by the Licensee for attachments to its poles shall be fair and reasonable and subject to

URCO's approval.

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Schedule 1 – Deposits

HOUSES

CAYMANIANS	\$100.00
NON-CAYMANIANS	\$150.00

APARTMENTS/CONDOMINIUMS

CAYMANIANS	\$150.00
NON-CAYMANIANS	\$300.00

HOTELS	\$1,000.00
EACH ADDITIONAL METER	\$500.00

EACH ADDITIONAL METER	\$500.00
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Schedule 2 – Licence Area Plans

The “Licence Area” is the islands of Cayman Brac and Little Cayman.

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Schedule 3 – Not Applicable

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Schedule 4 - Rates

RATE ONE – BILLING SCHEDULE

		Cayman Brac		Little Cayman	
		Former Licence	Current Licence	Former Licence	Current Licence
Minimum Charge	Per Month	\$5.25	\$5.54	\$5.75	\$6.07
First 100KWH	Per Month	\$0.24	\$0.26	\$0.29	\$0.30
Next 400 KWH	Per Month	\$0.22	\$0.23	\$0.26	\$0.28
Next 1500 KWH	Per Month	\$0.21	\$0.22	\$0.24	\$0.25
Next 6000 KWH	Per Month	\$0.20	\$0.21	\$0.21	\$0.22
Next 8000 KWH	Per Month	\$0.17	\$0.18	\$0.19	\$0.20

RATE THREE – BILLING SCHEDULE

This rate is applicable to large Consumers whose monthly consumption exceeds* 8,000 KWHS.

The unit charge per KWH on this rate is 0.173 cents per KWH with a minimum charge N/A per month.

Any Consumer contracting for Rate Three will be charged the monthly Rate One, should the consumption fall below the level of 8,000 KWHS per month.

This rate will become effective only on letter of application by the Consumer, and on such application being approved by Cayman Brac Power and Light Co., in writing, the contract so agreed will be effective from the next billing period after such approval of application.

Ninety days' (90) notice of cancellation of contract must be given by the Consumer to the Licensee, and the rate so quoted below will be subject to variation from time to time, such variation being approved by URCO and implemented in the next effective billing period after such approval of variation.

A force majeure* clause will be effective for the term of such agreement.

Minimum charge monthly

\$ Applicable Rate One

Over 8,000 KWHS per month 0.173 cents per KWH

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Schedule 5

Part A
Interim Return
(Under Condition 17 of the Licence)

PARTICULARS IN RESPECT OF FINANCIAL YEAR ENDING

(ALL amounts to be expressed in Cayman Islands currency and given to nearest dollar).

1. TOTAL REVENUE FROM BILLINGS FOR ELECTRICITY CONSUMED
2. TOTAL OPERATING EXPENSES DIVIDED BETWEEN:
 - (a) Generation expenses
 - (b) General and Administration expenses showing Director's remuneration and expenses as a separate item
 - (a) Customer service and promotion expenses
 - (b) Distribution expenses
 - (c) Maintenance
 - (d) Interest in excess of percent on moneys borrowed
 - (e) Any tax or imposition of any kind imposed by the Cayman Islands Government or any of its statutory authorities.
3. TOTAL DEPRECIATION AND AMORTISATIONCHARGED
(Depreciation or amortisation provisions may not be included they do not accord with generally accepted accounting principles).
4. OPERATING INCOME (being item 1 less the total of items 2 and 3 above)

5. FIXED PHYSICAL ASSETS VALUED AT HISTORICAL COST EMPLOYED BY THE LICENSEE AT THE BEGINNING AND END OF THE FINANCIAL YEAR INCLUDING ELECTRIC PLANT IN SERVICE CAPABLE OF SUPPLYING AT LEAST 80% OF MAXIMUM INITIAL INSTALLED RATED CAPACITY LESS AMOUNT OF TOTAL ACCUMULATED DEPRECIATION.

(a) Beginning of year

(b) End of year

Allowable value shall be the average of (a) and (b).

No amount for interest on borrowings, amortisation, or franchise costs will be allowed as expenses in determining operating income.

Construction work in progress is not included in net plant.

6. INTANGIBLE ASSETS VALUED AT HISTORICAL COST EMPLOYED BY THE LICENSEE AT THE BEGINNING AND END OF THE FINANCIAL LESS AMOUNT OF TOTAL ACCUMULATED AMORTISATION.

(a) Beginning of year

(b) End of year

Allowable value shall be the average of (a) and (b).

7. ALLOWABLE INVENTORY (i.e., allowable material and stock plus allowable fossil fuel defined in this item).

(1) All material and stock used in the operation of the undertaking excluding fossil fuel.

(a) Beginning of year

(b) End of year

Allowable material and stock inventory shall be the average of (a) and (b). Provided that in the event of such average exceeding an amount equivalent to 12.5% of the value of the annual average of the gross fixed assets the latter amount only is allowable.

(2) Allowable value of fossil fuel stock being fossil fuel stock calculated in accordance with the formula

A = maximum monthly fossil fuel consumption during the year expressed in Imperial Gallons

B = average price paid per Imperial Gallon for the fossil fuel consumed for the generation of electricity under the Licence during the year.

\$ _____ allowable value of fuel oil stock

8. PREPAYMENTS AND DEPOSITS

Beginning of year balance

End of year balance

Allowable prepayments and deposits, i.e., the average of (a) and (b) or 1.5% of the average net fixed assets whichever be the lesser.

9. ALLOWABLE CASH WORKING CAPITAL

One eighth of the total operating expenses (as listed in Paragraph 2)

10. INTERIM RATE OF RETURN

For the year calculated in accordance with the formula set out in Part B of Schedule 5 to the Licence

I CERTIFY TO THE BEST OF MY KNOWLEDGE, THESE PARTICULARS TO BE CORRECT.

Name:
Title:
ISLAND ENERGY LTD.

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PART B

RATE OF RETURN FORMULA

(Under Condition 17 of the Licence)

Rate of Return equals –

Operating income as per Item 4 of the Interim Return x 100%

Over Rate Base

Where

- (a) THE RATE BASE EQUALS AN AVERAGE OF THE BEGINNING AND END OF YEAR BALANCE OF ASSETS AS PER ITEM 5 (a) AND (b), AND AS PER ITEM 6 (a) AND (b) OF THE INTERIM RETURN PLUS WORKING CAPITAL
- (b) WORKING CAPITAL EQUALS ALLOWABLE INVENTORY PLUS ALLOWABLE PREPAYMENTS PLUS ALLOWABLE CASH WORKING CAPITAL AS PER ITEMS 6, 7, 8 AND 9 OF THE INTERIM RETURN.

Amendment Record Sheet

Version Date	Description of Amendment
xx January 2026	The main amendments to the T&D Licence include: the addition of new definitions in Condition 1.3; revision of the Base Rates definition in Condition 2.4; introduction of a Version Date in Condition 3; inclusion of new Conditions 30A to 30D covering rate structure, pass-through charges (such as fuel, government, and regulatory costs), RCAM, and reserves and reporting; repeal of Schedule 3; and updates to Schedules 4 and 5.

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DATED

DEED OF VARIATION

Utility Regulation and Competition Office of the Cayman Islands

and

Island Energy Ltd.

This deed is dated [] 2025

Parties

- (1)** Utility Regulation and Competition Office of the Cayman Islands of PO Box 10189, Grand Cayman KY1-1002, Cayman Islands (**Ofreg**); and
- (2)** Island Energy Ltd. of P.O. Box 698, Grand Cayman, KY1-1107, Cayman Islands (**IEL**).

BACKGROUND

- (A) On 1 May 2019, Ofreg, in exercise of the powers conferred by Section 23(2) of the Electricity Sector Regulation Act (2019 Revision) (**Act**) granted to Cayman Brac Power and Light Co. Ltd. (**CBPL**) an exclusive licence (**T&D Licence**) to transmit, distribute and supply electricity in accordance with the Terms of the T&D Licence.
- (B) Effective 30 September 2022, the T&D Licence was transferred from CBPL to IEL.
- (C) Ofreg and IEL have, pursuant to Section 28(1) of the Act, agreed to modify the T&D Licence as set out in this deed with effect from the date of this deed (**Variation Date**).

Agreed terms

1. Terms defined in the T&D Licence

In this deed, expressions defined in the T&D Licence and used in this deed have the meaning set out in the T&D Licence unless otherwise defined. The rules of interpretation set out in the T&D Licence apply to this deed.

2. Variation

- 2.1 With effect from the Variation Date, the parties agree the following amendments to the Agreement:
- 2.2 The following definitions shall be inserted at Condition 1.3:

"Accumulated Depreciation"	has the meaning given in Condition 30C.11.3;
"Allowance for Funds Used during Construction" or "AFUDC"	has the meaning given in Condition 30C.11.4;
"Allowance for Working Capital"	has the meaning given in Condition 30C.16;
"Cost of Capital"	has the meaning given in Condition 30C.12;
"Disaster"	means any event which prevents the Licensee from performing its obligations under the Licence, including acts of God, hurricane, fire, flood, earthquake, wars, riot or act of terrorism;
"Effective Date"	has the meaning 1 January 2025;
"Fixed Assets"	has the meaning given in Condition 30C.11.1;
"Fuel Cost Charge"	has the meaning given in Condition 30B.2.2;
"Fuel Cost Tracker Account"	has the meaning given in Condition 30B.2.3;
"Fuel Costs"	has the meaning given in Condition 30B.2.1;
"Government and Regulatory Charge"	has the meaning given in Condition 30B.3.2;
"Government and Regulatory Costs"	has the meaning given in Condition 30B.3.1;
"Government and Regulatory Tracker Account"	has the meaning given in Condition 30B.3.3;
"Intangible Assets"	has the meaning given in Condition 30C.11.2;
"Licensee Income"	has the meaning given in Condition 30C.10;

"Non-Fuel Operating Expenses"	has the meaning given in Condition 30C.15;
"Regulatory Assets"	has the meaning given in Condition 30C.17;
"Regulatory Liabilities"	has the meaning given in Condition 30C.17;
"Return on Rate Base (RORB)"	has the meaning given in Condition 30C.9;
"Renewable Generation"	means Renewable Generation refers to any energy generating equipment which produces electricity using natural replenishable sources;
"Work in Progress" or "WIP"	has the meaning given in Condition 30C.13;
"X Factor"	has the meaning given in Condition 30C.4;
"Z Factor"	has the meaning given in Condition 30C.5.

2.3 The definition of Base Rates at Condition 1.3 of the T&D Licence shall be deleted and replaced with the following:

“**Base Rates**” has the meaning given in Condition 2.4 of this Licence”.

2.4 Condition 2.4 is deleted in its entirety and replaced with the following:

“The Base Rates set out in Schedule 4 will be restructured to segregate Base Rates from pass-through charges by removing from existing rates the embedded costs of fuel, lubricants and the existing licence fee. Base Rates are defined as retail rates less any Z Factor, Fuel Cost Charge and Government and Regulatory Charge.”

2.5 The entire text of Schedule 3 shall be deleted and the words “Not Used” inserted.

2.6 Schedule 5 shall be deleted in its entirety and replaced with Schedule 5 as appended to this deed.

2.7 The entire text of Condition 30 is deleted and replaced with:

“Condition 30A: Rate Structure

30A.1 As used herein, all rate adjustments will be applied to Consumers' bills

on the first normal billing date following the Effective Date and will apply to the monthly consumption on that bill.

30A.2 From the Effective Date, the new Base Rates will be determined in accordance with the formula set out in 30C.4 below.

30A.3 Subject to Conditions 30A.6, Base Rates will be adjusted annually in accordance with the RCAM. Following the rate increase on the Effective Date, annual rate adjustments will be calculated in accordance with the RCAM and shall be effective each June 1. Changes to the RCAM will only be made as set forth in Condition 30C.

30A.4 The Licensee will calculate the rate adjustment in accordance with the RCAM and will implement the same upon verification by Ofreg, which shall not be unreasonably withheld or delayed. If the Licensee submits a valid request for rate adjustment in a timely manner and Ofreg's verification process unreasonably delays the implementation of the rate adjustment, the Licensee shall be entitled to receive a rate adjustment that would provide it with the revenues it would have earned had the rate adjustment been implemented at the appropriate time.

30A.5 The Z Factor, as defined in Condition 30C.5, represents a charge to Consumers to recover unusual expenses outside of the control of the Licensee that are permitted to be recovered through a rate surcharge pursuant to this Licence and approved by Ofreg.

30A.6 Separately or in conjunction with other rate adjustments as set forth above, the Licensee may adjust Base Rates to achieve other objectives upon approval of Ofreg. Such adjustments may include but are not limited to revising the rate design, rebalancing rate levels between Consumer classes, redefining Consumer classes or creating new Consumer classes, or implementing incentive rate structures or optional rates. It is expected that any such revisions would be supported by appropriate analysis from the Licensee and subject to review and approval by Ofreg. Notwithstanding any specific analyses and adjustments, the Licensee shall provide the Office with a comprehensive allocated cost of service study of Base Rates at least every five years.

Condition 30B: Pass-through Charges

30B.1 Pass-through charges for (a) Fuel Costs and (b) Government and Regulatory Costs will be shown as separate items on a Consumer's bill and the charges will be designed to recover 100% of actual costs of these items as described in more detail below.

30B.2 Fuel Cost Charge:

30B.2.1 Fuel Costs are the actual cost of fuel and lubricants used in the generation of electricity by the Licensee pursuant to its Generation Licence. Fuel Costs do not constitute a component of Base Rates but will instead be collected from Consumers through the Fuel Cost Charge.

30B.2.2 The Fuel Cost Charge represents a per kWh charge designed to fully recover Fuel Costs from Consumers. The Fuel Cost Charge will be calculated monthly to recover Fuel Costs on a timely basis. The Licensee will establish a formula for the Fuel Cost Charge. A Fuel Cost Tracker Account will form a component of the formula to ensure that over time the Fuel Costs are passed through to the Consumers without benefit or cost to the Licensee.

30B.2.3 The Fuel Cost Tracker Account will accumulate actual Fuel Costs incurred less actual revenues collected from the Fuel Cost Charge as billed on an ongoing basis. The ending balance of the Fuel Cost Tracker Account for any given month will be determined each month by adding the previous month's ending balance, positive or negative, with the actual Fuel Costs for a given month less the actual Fuel Cost Charge billings during the given month.

30B.3 Government and Regulatory Costs:

30B.3.1 The Government and Regulatory Costs include the Licence Fees and Regulatory Fees pursuant to this Licence. In addition, these costs will include any future levy or charge imposed by Government that the Licensee is required to pay directly or that the Licensee is required to collect from Consumers and remit to Government on behalf of Consumers. These costs do not include Government duties on fuel, which will be included in the Fuel Charge, and customs duties and other Government charges.

30B.3.2 The Government and Regulatory Charge represent a per kWh charge, separate from rates, designed to fully recover the Government and Regulatory Costs from Consumers. The Government and Regulatory Costs will be assessed using the Licensee's annual budget forecast each year to assess gross billing revenues, and other income on which the Licence Fee and the Regulatory Fee will be calculated. The dollar calculation of such costs will then be divided by the forecast kWh sales to establish a per kWh charge to be applied to Consumers' bills for the future financial period in question. The Government and Regulatory Charge may be adjusted quarterly to recover Government and Regulatory Costs on a timely basis. The Licensee will establish a formula for the Government and Regulatory Charge. A Government and Regulatory Tracker Account will form a component of the

formula to ensure that over time the Government and Regulatory Costs are passed through to the Consumers without benefit or cost to the Licensee.

30B.3.3 The Government and Regulatory Tracker Account will accumulate actual Government and Regulatory Costs incurred less actual Government and Regulatory Costs billed on a quarterly basis. The ending balance of the Government and Regulatory Tracker Account for any given financial year will be determined each year by adding the previous year's ending balance, positive or negative, with the actual Government and Regulatory Costs for a given year less the actual Government and Regulatory Costs billed during the year.

Condition 30C: Rate Cap and Adjustment Mechanism (RCAM)

30C.1 The RCAM is based on a formula that incorporates readily available external data to determine the Price Level Index. The Price Level Index is adjusted by an appropriate factor, which may provide for a rate increase less than, equal to, or greater than the Price Level Index, or for no increase. The relationship of the level of adjustment to the Price Level Index is based on the Licensee's Return on Rate Base, which is to be calculated from the most recent audited financial statements.

30C.2 All of the provisions regarding the RCAM described in this Condition 30C will not be changed except by mutual agreement of the Licensee and Ofreg. However, it is the responsibility of Ofreg to determine the value of the X Factor on an annual basis in accordance with Condition 30C.6 below, to adjust the value of the X Factor at the time of the five year review, and to establish appropriate Z Factors as the need arises in accordance with Condition 30C.5 below.

30C.3 Subject to Condition 30C.2 above, Ofreg shall review the RCAM as part of the five-year review. In addition, and again subject to Condition 30C.2 above, the Licensee may request or the Government may direct at any time that Ofreg review the RCAM, recognizing that actual circumstances may result in performance outside the bounds of reasonable expectations. For example, the Licensee's business results and financial stability may be affected by circumstances or conditions outside its direct control.

30C.4 The RCAM will adjust the Base Rates on June 1 of each year (unless a change is agreed upon by the Licensee and Ofreg) in accordance with the following formula:

$$\text{New Base Rate} = \text{Current Base Rate} \times \{100\% + P \times (100\% - X)\}$$

The Z Factor will be added where necessary in accordance with Condition 30C.5.

Where,

P = change in the Price Level Index, composed of 60% weighting of the Cayman Islands

Consumer Price Index (CI CPI) and a 40% weighting of the United States of America Consumer Price Index (US CPI), (both after adjusting to remove the effects of prices of food and fuel), expressed as an annual percentage change as reported for the most recent calendar year (e.g. 3.0%);

X = the X Factor, or "productivity factor", which is the amount by which the effects of inflation (**P**) will be reduced in determining the rate adjustment, expressed as a percentage or proportion of P.

30C.5 A Z Factor may be added to the Base Rate in effect from time to time. The Z Factor is the amount, expressed in cents per kWh, approved by Ofreg and estimated to recover the sum of those cost items deemed to be outside the constraints of the RCAM.

30C.6 The X Factor to be used in the annual Base Rate adjustment as defined in Condition 30C.4 above will be determined by the Licensee's Return on Rate Base for the most recent financial year for which audited financial statements are available as set out in the following table:

Range of Return on Rate Base Values	X Factor	Change in Base Rates as a percentage of P (100% - X)
Over 13%	140%	- 40% (rate reduction)
11 -13%	100%	0% (no rate adjustment)
9-11%	20%	80%
7-9%	0%	100%
Below 7%	-40%	140%

30C.7 The ranges of Return on Rate Base in the above table will be adjusted annually on a one-for-one basis with changes in the Cost of Capital, which is set by the formula as described in Condition 30C.12. This provision may not be

changed except by mutual agreement between the Licensee and Ofreg.

30C.8 The "9 - 11%" range of Return on Rate Base in the table above, as such range may be adjusted from time to time by changes in the Cost of Capital as prescribed in Condition 30C.12, shall be the target range of Return on Rate Base. The midpoint of the target range of Return on Rate Base shall constitute the definition of financial wellbeing of the Licensee. These provisions may not be changed except by mutual agreement between the Licensee and Ofreg. It is Ofreg's responsibility to adjust the X factor, and Ofreg will use such midpoint as the appropriate target for any decisions regarding changes to the X Factor or any other pricing related decisions of Ofreg permitted by this Licence or the Law.

30C.9 Return on Rate Base is the fraction, expressed as a percentage, of Licensee Income for the financial year as the numerator and Rate Base as the denominator, as per the formula below:

$$\text{Return on Rate Base (\%)} = \text{Licensee Income} \div \text{Rate Base}$$

30C.10 Licensee Income is the net earnings before preference dividends, or any other expenses related to distributions to shareholders other than common shareholders, adjusted by adding back interest expense, as determined from the audited financial statements of the Licensee for the financial year then ended. This definition is provisional based on the assumption that the composition of earnings and interest expense for the year will continue to incorporate the specified accounting treatment for each of the defined terms herein as currently defined by applicable accounting principles.

30C.11 Rate Base is the value of capital upon which the Licensee is permitted an opportunity to earn the Return on Rate Base as established by this Licence. The value of this capital is the average of the beginning and ending values for the applicable financial year of: Fixed Assets plus Intangible Assets, less Accumulated Depreciation, plus the Allowance for Working Capital, plus Regulatory Assets, if any, less Regulatory Liabilities, if any.

30C.11.1 Fixed Assets are the Property Plant & Equipment, before Accumulated Depreciation, as reported in the Licensee's audited financial statements for any given year. Fixed Assets will be increased by the original book value of lands, buildings, plant and equipment, including computer software, acquired or constructed by the Licensee. The original book value of these Fixed Assets will include an Allowance for Funds Used during Construction (AFUDC), as defined below, and an Allowance for General Expenses Capitalized. Fixed Assets will be decreased by the retirement of the original book value of lands, buildings, plant and equipment, including computer software, permanently removed from service by the Licensee. The original book value to be retired will include any AFUDC and any Allowance for General Expenses Capitalized, if applicable.

30C.11.2 Accumulated Depreciation is the accumulated depreciation as reported on the Licensee's audited financial statements for any given year. Accumulated Depreciation is increased by the Depreciation of Fixed Assets. Additionally, Accumulated Depreciation will be reduced by the original book value of Fixed Assets retired plus disposal cost expenditures, net of salvage proceeds.

30C.11.3 Depreciation is the straight-line amortization of Fixed Assets at percentage rates established, from time to time, by the Licensee that are designed to recover the original cost of Fixed Assets over their economic life. The rates will vary with each class of assets depending on estimates of the average useful life. Depreciation rates will include an allowance for estimated disposal costs, net of salvage, to be recovered over the economic life of the Fixed Assets.

30C.11.4 Allowance for Funds Used during Construction (AFUDC) is the financing cost calculated by multiplying the Licensee's Cost of Capital, adjusted accordingly for periods of application that are less than one year, by the average Work In Progress for the given period. AFUDC is a provision for Cost of Capital to be included in Fixed Assets that represents the financing costs associated with the interim financing of capital expenditures through Work In Progress. AFUDC will be calculated and applied to Work In Progress on a monthly basis as follows:

$$(\text{Licensee's Cost of Capital} \div 12) \times \text{Average Work In Progress for the Month}$$

Where the average Work In Progress for a given month is calculated from the opening and ending balances for the month, before the application of AFUDC.

30C.12 The Cost of Capital of the Licensee is 10 per cent. The Cost of Capital will be adjusted annually on a fiscal year basis according to the following formula:

$$\text{Cost of Capital} = 10\% + [0.75 \times (\text{Average Treasury Yield} - 5\%)]$$

Where,

The Average Treasury Yield represents the average yield of 10-Year United States Treasury Notes for the preceding fiscal year; and

The calculation of $[0.75 \times (\text{Average Treasury Yield} - 5\%)]$ is rounded up or down to the nearest 0.25 per cent, either positive or negative, before adding to, or deducting from, the Cost of Capital.

30C.13 Work In Progress (WIP) represents Fixed Assets of the Licensee that are under construction or in the process of implementation and are not yet used and useful. WIP will not be considered as a part of Rate Base until the asset in question is completed and placed into service. No depreciation will be taken on WIP until the Fixed Assets have been placed into service. WIP will include AFUDC.

30C.14 General Expenses Capitalized (GEC) are a portion of Non-Fuel Operating Expenses of the Licensee that are capitalized as a component of Fixed Assets. GEC represents the fact that a portion of Non-Fuel Operating Expenses are related, directly or indirectly, to the Licensee's capital projects. Indirect GEC will be calculated as a percentage of up to 10 per cent of Non-Fuel Operating Expenses and will vary annually depending on the level of the Licensee's activity for the year under the Capital Investment Plan.

30C.15 Non-Fuel Operating Expenses represents all operating expenses as reported in the financial statements of the Licensee, net of Fuel Costs.

30C.16 Allowance for Working Capital is equal to 30 days of total revenues, as represented in the audited financial statements of the Licensee, including Base Rate, Fuel Costs and Z Factor charges and other income, but excluding Government and Regulatory Costs. This allowance is calculated according to the following formula:

$$(\text{Total revenue for the preceding financial year} \div 365) \times 30$$

30C.17 Regulatory Assets or Regulatory Liabilities represent assets or liabilities that are classified in the financial statements of the Licensee as required by generally accepted accounting principles as a result of the provisions of this Licence, by order of Ofreg or by a directive of the Government. These assets or liabilities will only be added to Rate Base as defined in Condition 30C.11 to the extent that they are not included in Fixed Assets.

Condition 30D: Disaster Provisions

30D.1 In the event of a Disaster which results in a state of emergency being proclaimed by the Governor under the Emergency Powers Act (2006 Revision) and (1) where the change in the Cayman Islands Consumer Price Index, excluding food and fuel, in the quarter following the disaster is twice or more of the average of the previous three year's CPI change for the equivalent quarter; and (2) the adjustment of Base Rates on the first adjustment date following the Disaster as calculated in Condition 30C.4

would be greater than 60% of the change in the Price Level Index:

30D.1.1 The actual increase in Base Rates will be capped for the year at 60% of the change in the Price Level Index; and

30D1.2 The difference between the calculated rate increase and the actual increase expressed as a percentum shall be carried over and applied in addition to the normal RCAM adjustment in either of the two following years if the Licensee's Return on Rate Base is below the target range referred to in Condition 30C.8.

30D.2 In the event of a Disaster the Licensee will write-off destroyed assets over the remaining life of the asset that existed at time of destruction. The write-off calculation would be net of insurance proceeds, so property insurance deductibles would be included in the loss. (No Z Factor adjustment would be required for the write-off of the destroyed assets.).

30D.3 Z Factor rate changes will be required for extraordinary operating expenses. The Office will determine a reasonable period over which the Z factor costs will be recovered based on the nature of the costs.

30D.4 The Licensee may submit for the Office's consideration Z Factor adjustments for amounts equal to or above CI\$100,000 at any time; or for amounts less than that in total for any fiscal year within three months following such fiscal year end. The Licensee will not file for the recovery of total amounts less than CI\$100,000 per financial year.

30D.5 In the event of damage from a Disaster, the Licensee will invest in any required replacement assets in good faith as expeditiously as possible and will not require advance approval by the Office. Unless the Office subsequently determines that the Licensee acted unreasonably in all the circumstances in replacement of assets, such assets will be capitalized and amortized as part of Rate Base in accordance with generally accepted accounting principles and the provisions of this Licence.

Condition 30E: Reserves and Reporting

30E.1 The Licensee shall at all times maintain reserves of fossil fuel on island such that the Licensee shall be able to supply electricity for not less than twenty (20) days at a level equal to peak power demand.

30E.2 Not later than fifteen (15) days after the end of each calendar quarter, the Licensee shall supply to the Office a report on the technical aspects of the Licensee's operations during that quarter which report shall include the following information:

30E.2.1 installed generating capacity at the beginning and the end of the quarter;

30E.2.2 capacity and commissioning date of any new generating plant installed during the quarter;

30E.2.3 kilowatt hours of electricity generated in each month;

30E.2.4 kilowatt hours of electricity sold in each month;

30E.2.5 maximum peak fifteen-minute load generated in each month;

30E.2.6 imperial gallons of fossil fuel consumed in each month;

30E.2.7 total number of consumers at the end of each month divided into tariff categories.

Condition 30F: Renewable Generation

30F.1 The Licensee is encouraged to pursue a transition to Renewable Generation over time. To facilitate this transition, the Licensee will agree terms with the Office.

- 2.8 Except as set out herein, the T&D Licence will continue in full force and effect.
- 2.9 To the extent of any conflict between the terms of the T&D Licence and this deed, the terms of this deed will prevail.

3. Governing law

This deed and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation is be governed by and will be interpreted in accordance with the laws of the Cayman Islands.

4. Jurisdiction

Each party irrevocably agrees that the courts of the Cayman Islands will have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this deed or its subject matter or formation.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Schedule 1 Original T&D Licence

Executed as a deed by Ofreg acting by [NAME],
Chairman of the Board of Directors, and [NAME],
Executive Director, Energy and Utilities

.....

[SIGNATURE]

Chairman

.....

[SIGNATURE]

Executive Director

Executed as a deed by Island Energy Ltd. acting by
[NAME OF FIRST DIRECTOR], a director, and [NAME
OF SECOND DIRECTOR/SECRETARY], [a director
OR its secretary]

.....

[SIGNATURE OF FIRST
DIRECTOR]

Director

.....

[SIGNATURE OF
SECOND DIRECTOR
OR SECRETARY]

[Director **OR** Secretary]

Appendix

Schedule 5

Part A

Interim Return

(Under Condition 17 of the Licence)

PARTICULARS IN RESPECT OF FINANCIAL YEAR ENDING

(ALL amounts to be expressed in Cayman Islands currency and given to nearest dollar).

1. TOTAL REVENUE FROM BILLINGS FOR ELECTRICITY CONSUMED
2. TOTAL OPERATING EXPENSES DIVIDED BETWEEN:
(a) Generation expenses

- (b) General and Administration expenses showing Director's remuneration and expenses as a separate item

- (a) Customer service and promotion expenses

- (b) Distribution expenses

- (c) Maintenance

- (d) Interest in excess of percent on moneys borrowed

(e) Any tax or imposition of any kind imposed by the Cayman Islands Government or any of its statutory authorities.

3. TOTAL DEPRECIATION AND AMORTISATION CHARGED
(Depreciation or amortisation provisions may not be included they do not accord with generally accepted accounting principles).
4. OPERATING INCOME (being item 1 less the total of items 2 and 3 above)

5. FIXED PHYSICAL ASSETS VALUED AT HISTORICAL COST EMPLOYED BY THE LICENSEE AT THE BEGINNING AND END OF THE FINANCIAL YEAR INCLUDING ELECTRIC PLANT IN SERVICE CAPABLE OF SUPPLYING AT LEAST 80% OF MAXIMUM INITIAL INSTALLED RATED CAPACITY LESS AMOUNT OF TOTAL ACCUMULATED DEPRECIATION.

(a) Beginning of year

(b) End of year

Allowable value shall be the average of (a) and (b).

No amount for interest on borrowings, amortisation, or franchise costs will be allowed as expenses in determining operating income.

Construction work in progress is not included in net plant.

6. INTANGIBLE ASSETS VALUED AT HISTORICAL COST EMPLOYED BY THE LICENSEE AT THE BEGINNING AND END OF THE FINANCIAL LESS AMOUNT OF TOTAL ACCUMULATED AMORTISATION.

(a) Beginning of year

(b) End of year

Allowable value shall be the average of (a) and (b).

7. ALLOWABLE INVENTORY (i.e., allowable material and stock plus allowable fossil fuel defined in this item).

(1) All material and stock used in the operation of the undertaking excluding fossil fuel.

(a) Beginning of year

(b) End of year

Allowable material and stock inventory shall be the average of (a) and (b). Provided that in the event of such average exceeding an amount equivalent to 12112% of the value of the annual average of the gross fixed assets the latter amount only is allowable.

(2) Allowable value of fossil fuel stock being fossil fuel

stock calculated in accordance with the formula

A = maximum monthly fossil fuel consumption during the year expressed in Imperial Gallons

B = average price paid per Imperial Gallon for the fossil fuel consumed for the generation of electricity under the Licence during the year.

\$ ____ allowable value of fuel oil stock

8. PREPAYMENTS AND DEPOSITS

Beginning of year balance

End of year balance

Allowable prepayments and deposits, i.e., the average of (a) and (b) or 112% of the average net fixed assets whichever be the lesser.

9. ALLOWABLE CASH WORKING CAPITAL

One eighth of the total operating expenses (as listed in Paragraph 2)

10. INTERIM RATE OF RETURN

For the year calculated in accordance with the formula set out in Part B of Schedule 5 to the Licence

I CERTIFY TO THE BEST OF MY KNOWLEDGE, THESE PARTICULARS TO BE CORRECT.

Name:

Title:

ISLAND ENERGY LTD.

PARTB

RATE OF RETURN FORMULA

(Under Condition 17 of the Licence)

Rate of Return equals -

Operating income as per Item

4 of the Interim Return x 100%

Over Rate Base

Where

- (a) THE RATE BASE EQUALS AN AVERAGE OF THE BEGINNING AND END OF YEAR BALANCE OF ASSETS AS PER ITEM 5 (a) AND (b), AND AS PER ITEM 6 (a) AND (b) OF THE INTERIM RETURN PLUS WORKING CAPITAL
- (b) WORKING CAPITAL EQUALS ALLOWABLE INVENTORY PLUS ALLOWABLE PREPAYMENTS PLUS ALLOWABLE CASH WORKING CAPITAL AS PER ITEMS 7, 8 AND 9 OF THE INTERIM RETURN.