UTILITY REGULATION AND COMPETITION OFFICE

REGULATORY STATEMENT OF THE CURRENT LEGAL POSITION REGARDING:

Customer Self-Consumption (Non-Export) - Behind-the-Meter Solar PV or Solar PV Plus Battery Storage Systems

1. Introduction and Status

This Statement is issued by the Utility Regulation and Competition Office (the "Office") to clarify the existing legal position in the Cayman Islands governing Customer Self-Consumption ("CSC") Systems, which are behind-the-meter solar photovoltaic only, or photovoltaic and battery storage systems installed by consumers on their own buildings for their own use, with no export of electricity to the transmission and distribution system ("T&D System") operated in Grand Cayman by Caribbean Utilities Company, Ltd. ("CUC") or in the Sister Islands by Island Energy Limited ("IEL"). The Office has received a number of complaints regarding self-supply generator installations and has deemed it necessary to issue this Statement in response to requests from consumers, installers and other stakeholders to clarify the legal position and the consequent rights and obligations that appertain to non-export CSC.

This Statement is declaratory of the existing law and does not create new substantive rights or obligations and does not constitute an administrative determination by the Office. Its purpose is to explain how the Electricity Sector Regulation Act (2019 Revision) ("ESRA"), the Utility Regulation and Competition Act (2024 Revision) (the "URC Act"), the Electricity Regulations (2011 Revision), CUC's Transmission and Distribution Licence dated 3 April 2008 (the "T&D

Licence") and the 2025 T&D Code with Appendices (the "T&D Code") already apply to non-export self-consumption, and it reinforces relevant policy direction in the National Energy Policy 2024-2045 (the "NEP").

The Office issues this Statement in response to the complaints from consumers that the Grand Cayman T&D Licensee (CUC) has written to them regarding their own on-site generating equipment. The Office issues it as advisory guidance in the exercise of its principal functions under URC Act s.6(1) and s.6(2)(e). As a statement of existing law, it does not engage the duty to consult under URC Act s.7, and it is published for the assistance of consumers, installers and licensees. Where this Statement overlaps with the binding instruments to which it refers, those instruments prevail. The Office may revise this Statement from time to time.

2. Defined Terms

In this Statement: an "island" is a condition in which a generator continues to energise a part of a network that has become electrically separated from the main system; "unintentional islanding" is the hazardous condition, guarded against by anti-islanding standards, in which an inverter continues to energise the T&D System after the grid supply has been lost; "non-islanding" describes equipment certified to detect loss of the grid and to cease energising it; and "Point of Common Coupling" ("PCC") is the point at which a customer's installation connects electrically to the T&D System.

3. Scope

This Statement applies to non-export CSC only and addresses three pathways:

- Off-Grid: a system with no electrical connection to the T&D System.
- Track 1 - ATS Air-Gap: a mechanically interlocked, open-transition transfer switch completely isolates the customer’s generating system from the T&D System whenever the on-site electricity source is energising the load, with no parallel operation and no active PCC during CSC operation.
- Track 2 - Parallel Non-Export: an inverter operates in parallel with the T&D System with hardware- and firmware-enforced 0 kW export by means of a UL 1741 SB / IEEE 1547-2018 Power Control System set and locked at 0 kW, with directional reverse-power relay backup, designed to ensure that no on-site generated electricity can flow back into the T&D System.

Grid-export configurations, including the existing “CORE” and “DER” programmes, which deliver electrical energy into the T&D System are outside the scope of this Statement. This Statement only relates to systems which are consumer owned where the energy is consumed by the owner/consumer on site without any export of energy to the T&D System.

4. Customer Self-Consumption is Lawful

A consumer may install and operate a behind-the-meter solar PV or solar PV plus battery storage system to generate electricity for their own use. The statutory authority is derived from the provisions of ESRA s.23(1), which only requires licensure for generation, transmission, distribution or delivery when such activities are conducted "for reward". This is reinforced by ESRA

s.23(9), which provides penal sanction for anyone conducting any activity which requires licence other than where a person does so for their "own use or consumption". This statutory concept is further developed via the ESRA General Regulatory Principles, Schedule, paragraph 6: "Generation for self-supply is available to all consumers, no matter where located, and shall not require licensing by the Office.". By contrast, CUC's exclusive T&D Licence (Cond. 2.1, 2.2) authorises CUC to deliver electricity *for reward*, as well as their Generation Licence permits them to generate and deliver electricity (to their own grid) *for reward.* It should be noted that CUC's T&D System does not extend to any generation equipment behind or downstream of their meters, and therefore they do not have any role in determining or "approving" whether and what equipment is used by a consumer on their own site as long as all of the energy generated by that equipment is used on site by the consumer. As regards the electrical safety of such electricity generating equipment, that is governed by the Building Code in the same manner as any other consumer-owned electrical generator which is installed and used by the consumer for standby power.

5. Self-Consumption is Energy Efficiency, and Produces System-Wide Benefits

A non-export CSC customer generates and stores energy on their own premises and consumes it on site. The only effect on the T&D System is that the customer draws fewer kilowatt-hours through the T&D Licensee's revenue meter. In this respect a CSC customer is functionally indistinguishable from a customer who reduces consumption by any other means - efficient appliances, LED lighting, improved insulation, a more efficient air-conditioning system, or simply switching off circuit breakers during the day and turning them back on at night. A CSC system achieves a similar reduction automatically and continuously when energy is being generated by or available from the system.

Reducing consumption in this way is capable of producing benefits that accrue to the system and to all customers, not only to the self-consumer:

- Lower fuel demand. Every kilowatt-hour self-consumed is a kilowatt-hour CUC does not generate, reducing the total volume of diesel and heavy fuel oil burned system-wide. Because fuel is billed to each customer as a per-kWh pass-through with no mark-up, a self-consumer simply pays less fuel cost on their own consumption; no part of that cost is shifted to other customers. Reduced aggregate fuel burn also lessens the system's exposure to fuel-price volatility.
- Reduced capacity needs and deferred capital. Self-consumption that reduces daytime demand can reduce peak load and defer or avoid generation and T&D capital investment, which moderates growth of the rate base on which all customers ultimately pay a return.
- Distributed generation benefits. On-site generation located at the point of use can reduce transmission and distribution line losses, support localised supply, and contribute to resilience of the T&D grid.

The promotion of consumer energy efficiency has for many years been a central and consistent feature of the energy sector's public messaging, including CUC's own customer engagement. A regulatory outcome that recognises self-consumption as a legitimate form of energy efficiency is

therefore coherent with, and supportive of, the established direction of the sector. It would be difficult to reconcile an additional charge or condition being imposed uniquely on customers who reduce their consumption through self-generation when no equivalent charge or condition applies to customers who reduce their consumption by any other efficiency measure. CUC's T&D Licence requires CUC to serve all persons "without discrimination against or preference to any Person" (Cond. 3.1), and the General Regulatory Principles direct that a licensee should not take unfair advantage of a position of monopoly or market dominance.

6. Standby and Back-up Supply: Why Section 61 Is Not Engaged

CUC's standby and back-up framework derives from ESRA s.61, which applies only "where an application for back-up electricity supply and standby connection is made to a TD licensee by another person for his own exclusive consumption". The scope of s.61 is controlled by the statutory definitions in ESRA s.2.

"back up electricity supply" is defined as the provision of electricity "to another person which is temporarily unable to satisfy its system demand with the generation resources normally available to it". "standby connection" is defined as a connection "for the purposes of a backup electricity supply". Read together, s.61 is engaged only where a customer affirmatively applies for a dedicated arrangement under which the grid stands behind the customer's own generation as a reserve, to be drawn upon when the customer's own resources are temporarily unable to meet demand.

An ordinary non-export CSC customer - particularly one who is using on-site PV generation during daytime sunshine hours - is not in that position. The grid remains the customer's normal, primary and continuous source of firm electricity supply; the on-site PV (and battery, if used) merely reduce the volume of energy drawn from it. Such a customer has made no "application for back-up electricity supply and standby connection for his own exclusive consumption", nor do they need to make such an application. They remain an ordinary consumer, billed on the standard class tariff for every kilowatt-hour delivered through the revenue meter under T&D Licence Cond. 19 and 21. On its proper construction, s.61 is not engaged, and no separate standby connection, standby agreement or standby charge arises, since CUC is not being used only for backup power.

This conclusion is clearest for Track 2 (Parallel Non-Export), where the customer is continuously connected and synchronised to the T&D System and is never islanded; the grid is plainly the primary source and the on-site system merely offsets consumption. For Track 1 (ATS Air-Gap), the question is whether the open-transition arrangement could be characterised as "back-up" within s.2. The wording of the existing framework is that it is not: the customer has not applied for a dedicated reserve/backup service, the grid connection and metering are unchanged from those of any ordinary consumer, and the configuration is materially identical to the consumer-owned on-site diesel and propane standby installations located on many sites on Grand Cayman.. Consistency of treatment under Cond. 3.1 supports this construction.

Section 61 is engaged only where a customer affirmatively seeks a dedicated standby or back-up arrangement. Even then, the "reasonable commercial terms and conditions as approved by the Office" contemplated by s.61(1) may be the standard tariff; nothing in s.61 requires the imposition of a separate or additional charge.

7. "Interconnection" Does Not Mean "Any Grid-Connected System"

ESRA s.2 defines "interconnection" as the electrical connection of a generating station, or of a generating unit used for self-supply, to the T&D System. The technical regime in the T&D Code at section 3 - including the non-islanding requirements at section 3.3.2(b) and section 3.3.3(b), which adopt the IEEE 1547 anti-islanding test, and the unintentional-islanding mischief at section 3.4.2 - is directed at inverters operating in parallel across an active PCC.

A Track 1 (ATS Air-Gap) system never operates in parallel and cannot energise the T&D System. It is therefore outside the parallel-operation regime to which the Connection Code's anti-islanding provisions are addressed; it is an isolated self-supply source behind a transfer switch. A Track 2 (Parallel Non-Export) system is interconnected and is subject to the Connection Code; such systems comply with section 3.3.2 and section 3.3.3 through certified UL 1741 SB / IEEE 1547-2018 anti-islanding protection, a hardware- and firmware-locked 0 kW Power Control System, and reverse-power relay backup. In any event, any attempt to extend section 3.3 to non-parallel configurations would require a code revision filed under T&D Licence Cond. 27.8 and the prescribed Office review and could not be achieved by re-interpretation alone.

The operative distinction is important. Interconnection in the relevant sense requires both (a) parallel operation across an active PCC and (b) the capability to deliver energy to the T&D System. A grid connection used only to draw (import) supply is an ordinary service connection, not an interconnection - and it does not become an interconnection merely because the customer also has generation behind the meter. The mere retention of a grid connection therefore does not, of itself, render a customer's on-site system an "interconnection" requiring an export programme. The relevant question is always whether the on-site system operates in parallel with, and is capable of delivering energy to, the T&D System.

8. No Separate Programme Is Necessary for Non-Export Self-Consumption

The National Energy Policy (“NEP”) establishes (at section 3.3.1.13) that CSC up to 20 kW AC shall be a right. Where the NEP refers to interconnected CSC systems being subject to ESRA, the T&D Connection Code, planning requirements and permission to operate, those are technical and safety requirements. They are not a requirement that a non-exporting customer enrol in an export-and-credit programme.

T&D Licence Cond. 32.2 provides that Government policy will determine the best means to encourage renewables and that the Office will implement that policy. That condition directs CUC to operate within the already established frameworks, or frameworks the Office determines; it does not empower CUC to require enrolment in a particular programme where the Office is of the view that none is required. The CORE and DER programmes are, by their nature, export and credit arrangements directed at customers who deliver energy to the grid. They cannot be treated as the only lawful pathway for a customer who does not export.

The existing instruments already accommodate non-export self-consumption. A non-export CSC customer is entitled to operate on the standard class tariff, subject only to the technical and safety requirements that already apply by operation of the T&D Code and general electrical-safety law.

A dedicated "programme" is therefore not necessary to enable non-export CSC; at most it would aggregate and restate provisions that already apply. The absence of such a programme does not disable the customer.

9. The "Cross-Subsidy" Objection

It is sometimes suggested that allowing non-export self-consumers to remain on the standard tariff requires other customers to carry their share of fixed costs. On examination, that objection does not withstand scrutiny.

First, the premise proves too much. Every customer who reduces consumption - by efficient appliances, by behavioural change, by switching off breakers during the day, or by being absent for part of the year - contributes less in volumetric terms to the recovery of fixed costs. If reduced consumption were treated as an impermissible cost shift, energy efficiency itself would have to be surcharged. That is neither lawful nor consistent with stated energy policy, and CUC does not impose such a charge on any other demand-reducing customer. Fuel is recovered as a per-kilowatt-hour pass-through charged in proportion to each consumer's own metered consumption, without mark-up. A self-consumer who draws fewer kilowatt-hours simply pays less fuel cost on their own bill, and no portion of that reduction is borne by any other consumer.

Secondly, the net effect is not unambiguously a burden. As set out in section 5, self-consumption reduces fuel consumption and the associated pass-through paid by all customers and can defer capital investment. These are savings that benefit non-CSC customers.

Thirdly, cost recovery is a question of rate design within the exclusive ratemaking jurisdiction of the Office; it is not a basis on which a licensee may deny or condition a customer's lawful right to self-consume. If, on evidence, taking into account the current demands and available technologies, a T&D licensee demonstrates that any current class of partial-requirements customer genuinely under-contributes to fixed costs, the lawful route (in the case of CUC) is a cost-of-service study filed under T&D Licence Cond. 20.4 and an even-handed, class-wide rate-design proposal submitted for the Office's approval under Cond. 3.6 and ESRA s.9(2)(k). Until and unless the Office approves such a change, the standard tariff governs, and no separate charge may be imposed on self-consumers.

10. What This Means in Practice

A consumer may install and operate a non-export CSC System in any of the three pathways; may elect not to enrol in CORE or DER; and is billed only on the standard class tariff for kilowatt-hours actually drawn through the revenue meter.

A consumer must use listed equipment, comply with applicable Building Code safety and electrical standards, ensure the system cannot export to the T&D System, maintain a visible and lockable disconnect, and - in all cases, including Off-Grid - notify CUC of the installation (see section 11). For a Track 2 (parallel) system, the consumer must additionally comply with the T&D Connection Code and obtain Permission to Operate before energising.

The Office, acting in consultation with CUC and the relevant public body charged with technical inspection or approval of electrical equipment installations, may require compliance with the T&D Connection Code and a pre-energisation inspection for parallel (Track 2) systems, and may refuse interconnection of a parallel system only on the grounds in ESRA s.60(5)(a)-(c), with written reasons under s.60(4). Such inspection, approval and refusal powers exist solely to give effect to the applicable technical and safety law and codes. They may not be used to compel a non-exporting customer to enrol in CORE, DER or any other programme that does not apply to that customer. A technical or approval power exercised for such a collateral purpose would be exercised beyond the authority conferred by law and would constitute an ultra vires act by a public authority, and such an unlawful decision would expose the exercise of that authority to legal challenge.

CUC must not condition supply or service on enrolment in CORE or DER for a non-exporting customer, must not impose any standby, capacity or analogous charge in the absence of the Office's approval. Therefore self-consumers must be treated consistently with other demand-reducing customers in the same class (Cond. 3.1). Continuity of supply is protected under ESRA s.67, and any enforcement response to a technical non-compliance must be proportionate.

11. Notification of Installations

To support system safety, load and generation forecasting and network planning, consumers shall notify CUC of every non-export CSC installation, including Off-Grid systems, recording the service address, the pathway (Off-Grid, Track 1 or Track 2), the rated CSC capacity (kW AC), the battery capacity (kWh), the inverter and ATS/PCS make and model, and (for Track 2) the date of Permission to Operate.

CUC shall maintain a record of such notifications and shall provide that information to the Office on request and periodically in aggregate by feeder, pursuant to the Office's information-gathering power under URC Act s.9, in support of the Office's functions. The information shall be used for safety, forecasting, asset-planning and operational purposes only, shall not be used for marketing or to compel programme enrolment, and customer-identifying information shall be treated as confidential.

CONSUMER GUIDE

Behind-the-Meter Solar and Battery Storage for Your Own Use (Non-Export)

This Guide is issued by the Utility Regulation and Competition Office to help consumers and installers understand the rules that already apply to behind-the-meter solar and battery systems used for self-consumption. It is a plain-English summary of existing requirements under the Electricity Sector Regulation Act, the Transmission & Distribution Licence and Code, the Utility Regulation and Competition Act, and the National Energy Policy. It does not create new rules. Where it differs from those instruments, the instruments prevail.

Can I install solar with a battery for my own use?

Yes. Cayman law allows any consumer to install behind-the-meter solar PV or solar PV plus battery storage system to generate and use electricity on their own premises. Generation for self-supply is available to all consumers and does not require a licence.

Do I have to join CORE or DER?

No. CORE and DER are programmes for customers who send (export) energy to CUC's grid in exchange for credit. If you do not export - if you use all of your own generated energy on site - you are not required to enrol in CORE or DER. You may operate on standard billing.

What are my three options?

Off-Grid: your system is not connected to CUC's network.

Track 1 - Air-Gap: a transfer switch physically isolates your home from CUC's network whenever your solar/battery is powering your loads, so no power can flow to CUC's network.

Track 2 - Parallel (Non-Export): your inverter runs in parallel with CUC's network but is locked at zero export by a hardware-and-software setting, with a reverse-power relay as backup, so no power flows to CUC's network.

Will I be charged a standby fee?

No separate standby fee currently applies to a non-export self-consumer. You are billed on the standard class tariff for the electricity you actually draw through your meter - exactly as you are today. Because you use some of your own energy, you simply draw less. This is treated like any other way of reducing your consumption, such as taking steps to be more energy efficient, including simply switching off breakers during the day.

Is self-consumption considered energy efficiency?

Yes. Generating and using your own energy reduces what you draw from the grid, in the same way that efficient appliances, better insulation, LED lighting, or switching off breakers during the day do. It can also reduce fuel use and line losses across the system, which benefits all customers. Reducing consumption is consistent with the energy-efficiency goals long encouraged across the sector.

What do I need to do to stay compliant?

Use listed, certified equipment. Make sure your system cannot export to CUC's network. Keep a visible, lockable disconnect that CUC's crews can access. Notify CUC of your installation in all cases, including Off-Grid. For a Track 2 (parallel) system, comply with the T&D Connection Code and obtain Permission to Operate before switching on. Co-operate with CUC during outages and maintenance so that work on the network can be carried out safely.

What can CUC ask of me?

For a parallel (Track 2) system, CUC may require compliance with the T&D Connection Code and a pre-energisation inspection at a fee approved by the Office and may issue Permission to Operate once the system passes. Any required Building Control or electrical inspection approval must be obtained through the applicable Government process before connection, but that approval is determined by the relevant statutory authority, not by CUC. CUC may only refuse a parallel interconnection on the limited grounds set out in the law - insufficient capacity, safety or security, or technical infeasibility - and must give written reasons. These technical powers exist only to ensure system safety and technical integrity; they cannot be used to require you to join a programme that does not apply to a non-exporting customer.

Where do I go if there is a dispute?

You may bring a complaint or dispute to the Office, which provides alternative dispute resolution under the Utility Regulation and Competition Act.

Where are the binding rules?

The binding requirements are in the Electricity Sector Regulation Act (2019 Revision), CUC's Transmission & Distribution Licence and the 2025 T&D Code, the Utility Regulation and Competition Act (2024 Revision), and the National Energy Policy 2024-2045. This Guide and the accompanying Regulatory Statement explain how those instruments apply to non-export self-consumption.