

# Annual Report 2020



At OfReg, we seek to promote the objectives of government policies; promote effective and fair competition where appropriate and feasible; protect the short- and long-term interests of consumers about utility services; balance the interests of all stakeholders and champion sustainability and innovation across markets, and to contribute to the economic and social goals of the Cayman Islands

For further details, visit [www.ofreg.ky](http://www.ofreg.ky)

# A short introduction about us

The Utility Regulation and Competition Office (OfReg or the Office) is the independent regulator established by section 4 of the Utility Regulation and Competition Act (as revised) (the “URC Act”) for the electricity, information, and communications technology, water, wastewater and fuel sectors in the Cayman Islands.

OfReg provides the opportunity for consistency and collaboration in regulation across the ICT, energy, fuel, and water sectors; better utilisation of skills and resources resulting in more efficient and effective regulatory processes; encouraging competition where appropriate and feasible; championing sustainability and innovation across markets, contributing to the economic and social goals of the Cayman Islands.

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## Company Name

The Utility Regulation and  
Competition Office (OfReg)

## Company Address

3rd Floor, Alissta Towers, 85  
North Sound Rd.  
Grand Cayman, Cayman Islands

# Message from the Chairman

We continued to put consumers at the centre of what we do—how we operate, how we move our objectives forward.

2020 has been a momentous year in many respects. As I look back on the last twelve months — a period of profound social and economic change — it is remarkable how much we have accomplished, not only in terms of operational performance but in our steadfast dedication to helping consumers, businesses and the broader community of the Cayman Islands.

I first want to say thank you to our staff for your continued support and trust in OfReg. I am proud of what we accomplished together during 2020, and I am also very optimistic about the opportunities ahead. We remain confident in our ability to effectively deliver our mission as a regulatory entity regardless of the current global challenges and local operating environment and expect to continue delivering long-term value for our stakeholders.

The COVID-19 crisis has undoubtedly tested our ability to adapt. I believe it

has demonstrated that we are equipped and able to adapt quickly and effectively.

While recognising the challenges we are going through, 2020 was another year of positive performance for the Office as we delivered tangible results through robust operational execution and decisive actions. Our regulatory reach has continued to extend by setting new administrative determinations for the Energy, Fuel and ICT sectors, including eight consultation papers released in the past twelve months.

The dedication and commitment of our people are critical enablers of our success. Despite significant economic and operational challenges, our employees in every department executed an essential role in ensuring business continuity of the sectors we regulate, benefiting the economic and social stability of the Cayman Islands.

The combined excellence of our employees and our improved strategic objectives enable us to positively deliver our mission of ensuring safe, reliable, economic public utilities to businesses and the people of the Cayman Islands.

I would like to thank Malike Cummings for an extremely successful first year as Chief Executive Officer. He has continued with the transformation of OfReg, particularly



I am proud of our past year's successes and how we have adapted swiftly and professionally to recent events.

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around our aim to be more transparent, effective and stronger and encouraged a robust collegiate contribution from our excellent executive team. His leadership and broad industry knowledge make him uniquely qualified for this important mission. His strong strategic view and operational experience will ensure that OfReg successfully meets the changing needs of all our stakeholders.

We continued to put consumers at the centre of what we do—how we operate, how we move our objectives forward, and how we support our stakeholders in ensuring the Cayman Islands economy's reliability. Each of our leading departments keeps making customer service a

priority, providing professional advice and active support.

We are optimistic about the opportunities in 2021 and beyond. OfReg finished 2020 in a much stronger position than we started, with our operational teams delivering on our strategic priorities and generating positive momentum across the board. Working hand in hand with consumers, businesses and government remains a firm priority, and we engaged extensively with them throughout the year.

I am proud of our past year's successes and how we have adapted swiftly and professionally to recent events. The ongoing external challenges will inevitably influence how we move forward,



Dr. the Hon. Linford A. Pierson, OBE, JP, PhD, FCCA  
Chair of the Board of Directors

but we remain very much focused on our statutory duties and on achieving the objectives set on our strategic plan.

On behalf of the Board of Directors, I would like to thank our employees for their countless efforts and openness to take on the complex and ambitious responsibilities we have set as an organisation. I would also like to thank our management team for its collaboration and hard work building on our strong foundation.

I am honoured to have the opportunity to serve as your Chairman for another year and have every confidence that we will continue to build upon the success of our achievements in 2020.

Dr. the Hon. Linford A. Pierson, OBE, JP, PhD, FCCA  
Chair of the Board of Directors

# Message from the Chief Executive Officer

2020 was also a record year in regard to strengthening the regulatory framework.

The year 2020 tested us beyond measure as a result of the coronavirus pandemic, which impacted economies and livelihood worldwide. Despite the challenges and uncertainty brought about by this pandemic, OfReg has successfully progressed and completed several projects embarked upon by our team.

Cognisant of the economic hardship brought on by the pandemic, OfReg worked with licensees to ensure continuity of services to consumers and businesses, especially during the lockdown period and the inevitable transitioning to a remote working environment. OfReg worked with licensees to agree to the temporary suspension on disconnection of electricity, water, internet and television services to bring relief to consumers.

Our collaboration with the Ministry of Commerce, Planning and Infrastructure (CPI), and other stakeholders helped to design and deploy a network of ten Wi-Fi hotspots around the country to enable residents to access free internet service after the “Shelter in Place” orders were lifted.

Other partnerships and agreements with service providers include free calls to the NEOC hotline; zero data charge to mobile data users accessing certain government websites; and increased bandwidth to government quarantined facilities at no additional charge. The team also worked with the Ministry of International Trade, Aviation and Maritime Affairs, under CIG’s COVID Regulations, to build an online system to automate the curfew exemption request and approval process.

OfReg focused on assessing and strengthening our organisational performance, helping us become more effective, efficient, and resilient.



Malike Cummings  
CEO

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The foregoing is demonstrative of OfReg’s focus on working with the various licensees, service providers, the Government and other stakeholders to maintain an acceptable level of service to consumers, recognising the enormity of the challenges faced as a result of the unique circumstances which necessitated agility and innovation to navigate the emerging situations.

Emphasis was also placed on promoting and implementing regulatory tools and mechanisms for service providers to improve availability, reliability, quality and safety of ICT, energy and utility services. We have been promoting consumer protection regulations (CPRs) to augment the existing

framework for each sector. CPRs for the ICT sector were completed and shared with the Ministry of CPI. Similar regulations for the fuels and energy sectors were also consulted in 2020.

2020 was also a record year in regard to strengthening the regulatory framework. Eight consultation papers were released before finalising administrative determinations, an essential aspect of our regulatory accountability and transparency obligation.

The Fuel Market Regulatory and Economic Assessment ranked the highest priority for the fuels sector, progressed through to the completion of the market definition. The other aspects of

the work will continue into 2021 for completion. Three major investigations were progressed to conclusion during the year, namely the LPG Market Anti-Competitive Investigation, the Propane Cylinder Incident, and RUBIS Tank Release Incident.

Other notable accomplishments include the approval of the Request for Proposals (RFP) for a 20MW Energy Storage Battery System (BESS), which will lower the cost of electricity to consumers and also increase the amount of intermittent renewable energy capacity by 12MW, and approval of the Fuel Price Volatility Management Plan (FPVMP) for 2020-2021, allowing for 12-month fuel hedging contracts. OfReg also reviewed and approved

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All of our accomplishments could not have been possible without the endeavour of our hard-working staff, Board members and stakeholders.

the Street Lighting Rates for the George Town Revitalisation project.

The negotiations with the Cayman Water Company (CWC) are continuing. During the course of the year, OfReg commissioned a Cost-of-Service Study (COSS) of CWC to assist with the determination of new water rates and a reasonable allowed return on investment.

In the ICT sector, OfReg continued modernising the licensing framework to inform the renewal process for ICT licensees. Recognising the importance of infrastructure to delivering reliable, cost-effective services to consumers, a significant area of focus was protecting Critical National Infrastructure (CNI), and as a result,

the first phase of the “Click Before U-Dig” underground infrastructure programme was launched.

The Office is committed to offering Cayman’s youth the opportunity to test and apply their knowledge in a real business context through internships. The Office welcomed one intern in the fuels sector, who will also be able to gain exposure and regulatory experience in this unique environment, only which OfReg can offer.

Additionally, OfReg focused on assessing and strengthening our organisational performance, helping us become more effective, efficient, and resilient while supporting the Office in delivering on our mandate of promoting competition to achieve better services at fair prices.

We continue to model and observe good governance as we shape our strategy, improve our internal protocols and rely on the right people to assist in our strategic work. As an organisation, our future is bright. We recognise the importance of continual improvement in what we do and how we do it. The development of the team and how we work together as an organisation is crucial to our success.

We commenced the review of our five-year strategic plan (2020-2025), which captured the scope and ambition of the OfReg Strategy, emphasising an innovative implementation approach, strengthened governance, and departments working together to deliver the key elements of the strategy to achieve its objectives. Our strategy forms part of a broader national strategy, reflecting Government's strategic priorities, the National Energy Policy, and working with all stakeholders to reach those stated outcomes.

All of our accomplishments could not have been possible without the endeavour of our hard-working staff, Board members and stakeholders. I sincerely thank our staff for

their support this year, and I look forward to working with the team to have an even more significant impact in the years to come.

Towards the future, I look forward to building on the successes of OfReg and its team during this challenging year to achieve the objectives set for 2021 and ensuring that the Office continues to play an essential role in promoting the economic and social development of the Cayman Islands.

Malike Cummings  
CEO





# Fair Regulation for Consumers & Industry.

## Introduction

This is the 2020 Annual Report for the Utility Regulation and Competition Office (the 'Office' or 'OfReg') for the period 1 January 2020 to 31 December 2020. This report is submitted in accordance with the reporting requirements of section 52 of the Public Management and Finance Act (as revised) (the 'PMFL') and section 43 of the Utility Regulation and Competition Act (as revised) (the 'URC Act'). The report is prepared for Cabinet, to whom OfReg is accountable, as well as the general public and licensees.



# Safety is our mission

To ensure safe, reliable, economic public utilities to businesses and the people of the Cayman Islands.

## To achieve this, OfReg will:

- Ensure that service providers operate in an environment that is fair and provides an opportunity to realise a reasonable return on investment;
- Advocate on behalf of consumers;
- Adopt and enforce regulations that are in the public interest and ensure that service providers comply with established regulations;
- Create standards and policies that protect the safety of the public;
- Explore innovation that will encourage the efficient and cost-effective delivery of utility services;
- Consider the economic and environmental impacts of all matters before the Office;
- Ensure effective methods of communicating the Office's areas of regulation, decisions and their impacts on the public;
- Develop and promote activities that encourage stakeholder trust and confidence;
- Serve the public interest through a commitment to professionalism, diversity, mutual respect and ethical conduct.

# About Us





## Nature and Scope of Activities



We seek to adopt and enforce regulations in the public interest and ensure that service providers comply with established rules.

The Office was established pursuant to section 4(1) of the URC Act and is the independent regulator for the energy, information and communications technology ('ICT'), water and fuel sectors in the Cayman Islands. The Office also regulates the use of electromagnetic spectrum and manages the .ky internet domain.

The Office is also guided by the importance of balancing the needs of investors and the sectoral utilities, not only in terms of recognising the importance of a fair return to investors but also ensuring that the operating environment is fair for all sectoral providers, while at the same time protecting the interests of consumers.

As a Government Policy, the Office is statutorily obligated to promote and be guided by the Cayman Islands Government National Energy Policy ('NEP').

# Governance



## URC Act

The URC Act defines the responsibilities of the Office and all stakeholders and governs regulation for the energy, ICT, water and fuel sectors in the Cayman Islands. The Public Authorities Act (as revised) (“PAA”), which came into force on 1 June 2017 via a Cabinet Order<sup>1</sup>, regulates the management and governance of the Office.

## Board of Directors

The Board of Directors are responsible for the governance and general administration of the affairs and business of the Office as well as carrying out regulatory powers and functions.

There are four Executive Directors on the Board, which includes the Chief Executive Officer, Executive Director of Information, Executive Director of Energy and the Chief Petroleum Inspector/Executive Director of Fuel Markets.

In 2020, the Board of Directors met 13 times during the year. The Board considered and took decisions on a wide range of issues relating to the sectors under its remit, and on organisational policy and governance matters.

The Office bid farewell to the former Deputy Chair of the Board, Mr. Ronnie Dunn, at the end of November 2020. Mr. Dunn served as Deputy Chair from 1 September 2017.

## Committees

Pursuant to section 27 of the URC Act, the Office established a Remuneration and Human Resource Committee in 2020. The role of the Remuneration and Human Resource Committee is to provide guidance to the Board on remuneration and human resources issues.

The Office also established a Finance Committee, an Innovation Committee and a Public Relations Committee. The role of the Finance Committee is to review and provide recommendations to the Board on financial governance policies and the Office's annual budget, while the role of the Public Relations Committee is to provide policy guidance and strategy for interaction with

stakeholders and the media.

During the year, the former Risk and Audit Subcommittee Chair resigned from the post effective April 2020. The Board appointed an interim Chair to the Committee until a replacement can be installed. The Office has made recommendations to amend legislation to allow for the Chair of this subcommittee to be a current member of the Board. The role of the Committee is to provide independent assurance and assistance to the Board on control, governance and risk management. The subcommittee reports to the Board of Directors within four months of the publication of the fiscal year's annual report and publishes its report at the Office's website within two months following Board review.



## Codes of Conduct and Internal Policies

In 2020, the Board approved: a board and management communications framework; an Anti-Fraud policy; an IT Acceptable Use and Security policy; a Hospitality, Entertainment and Gift policy; an Information Security Breach Policy and a Human Resource Policy and Procedure Manual. The Office continues to develop and put in place robust mechanisms to improve governance and systems of control.

## Duty to Consult

Affirming that consulting stakeholders is an essential aspect of regulatory accountability and transparency, and pursuant to section 7 of the URC Act, the Office sought stakeholder input prior to finalising administrative determinations for the following matters in 2020:

1. **E&U 2020 - 1** - Consultation on Final Regulatory Accounts Rules
2. **E&U 2020 - 2** - Consultation on Proposed Renewable Energy Capacity Reallocation and Tariff Setting
3. **E&U 2020 - 3** - Consultation on Proposed Consumer Protection Regulations
4. **FS 2020 - 1** - Consultation on Proposed Fuels Market Definition
5. **FS 2020 - 1** - Draft Determination on Proposed Consumer Protection Regulations
6. **OF 2020 - 1** - Consultation on Proposed Dispute Resolution Regulations
7. **WS 2020 - 1** - Consultation on Final Water (Licence, Fee, Offence and Penalty) Regulations
8. **ICT 2020 - 1** - Consultation on Internet Exchange Points (IXP) Regulatory Framework.

## Duty to Publish

Pursuant to section 8 of the URC Act, the Office maintains a website as a primary source for sectoral news and information and current regulatory documents, including administrative decisions and Minutes of the meetings of the Board of Directors.

## Performance and Financial Audits

To promote transparency and accountability, section 6 of the URC Act sets out the Office's statutory obligations for reporting performance.

Pursuant to sections 41(1)(b) and 41(3) of the URC Act, the Office shall publish an annual report (containing the audited financial statements for the financial year) and a five-year strategic plan, respectively.

In accordance with section 6 of the URC Act, all financial statements contained in this report have been prepared to International Public Sector Accounting Standards, audited by the Auditor General of the Cayman Islands ('Auditor General') and will be submitted to Cabinet for review by 30 April 2021.

Section 42 of the URC Act requires the Auditor General to report to the Board of Directors, every three years, on the Office's performance against its annual plan. The Auditor General's Office concluded the three-year review of the Office's performance in June 2020. (See Management's Discussion and Analysis for further information).

# Our People

The Office is comprised of a Board of Directors and 25 employees. Executive Directors are the principal sectoral advisors while Non-Executive Directors are chosen by Cabinet and initially appointed for fixed terms of up to three years.

## Staff

There were no new additions to the Office's staff complement.

## Turnover

The Office bid farewell to the former Executive Director of Information, Mr. Alee Fa'amoe in 2020. Mr. Fa'amoe was the Executive Director ICT from the Office's inception in January 2017, and his contract term ended in 2020.

## Professional Development

The Office is committed to the professional development of its staff by providing targeted training and development opportunities for up-skilling and overall employee development.

The Office recognises the benefit of employee development and training and considers on a case-by-case basis requests for support in the following areas: time off for training and/or study; time in the office environment to undertake a course or complete projects that support an employee's development needs; and tuition/course fees and expenses. During the 2020, the restrictions imposed by the Government arising from the Covid-19 pandemic frustrated the plans for training. Some training was completed through on-line resources, while some training has been deferred for 2021.

## Internships

During 2020, the Office hired Mr. Romaine Knight as an intern in

the fuels sector. Offering local interns an opportunity to work alongside staff on administrative and regulatory matters of the day aligns with the Office's objectives for recruiting talent and professional development.

## Scholarships

Aligning with its five-year strategic plan for recruiting and developing staff, the Office offers financial assistance to local students furthering their education. Mr. Juwan McLean is presently on an OfReg scholarship at the University College of the Cayman Islands. He is completing a Bachelor of Science degree in Computer Science.



# Summary of Achievements

## Despite the challenges, it was a successful year.

During 2020 the Office, like all other entities locally and globally, was negatively impacted by COVID-19. The Office diverted its attention and resources from implementing the 2020 Annual Plan objectives in order to focus on essential service sustainability as a result of the pandemic. The Office focused on working with the various licensees, service providers, the Government and other stakeholders to maintain an acceptable level of service, recognising the enormity of the challenges faced as a result of the unique circumstances which necessitated agility and innovation to navigate the emerging situations. Despite the foregoing, a number of key work programmes were impeded especially during the Government-imposed restrictions to preserve health and safety.

None of the Office's regulatory programmes were suspended, however, they were affected in varying ways. The Office sought to ensure utilities and infrastructure essential to the well-being of the Cayman Islands remained available and accessible while navigating the unprecedented times. OfReg's business continuity plan allowed the Office to quickly adapt as the situation unfolded, to ensure responsiveness.

Nevertheless, despite the challenges, the Office successfully executed several projects embarked on by the sectoral teams in the previous Annual Plan and the Purchase Agreements. The achievement of the key strategic objectives detailed in the Ownership Agreement have been delayed, and it is anticipated that in 2021, the Office will redirect its focus to achieving these strategic goals.



## Consumer Protection Regulations

During 2020, the Office presented the proposed ICT Consumer Protection Regulations to the Minister for review and approval. This presentation culminates the work that was initially started in 2017, whereby the Office produced and consulted on Draft Consumer Protection Regulations. In consideration of responses received, the Office conducted another round of consultation at the end of 2019, with a draft determination published on 5 December 2019. The Office considered that in the interest of protecting the ICT consumer, it was necessary to establish regulations to outline the protocols and rules that service providers should adhere to when interacting with and serving consumers in the Cayman Islands. These regulations will enable the Office to better regulate the terms and conditions under which ICT services are provided. The Office expects that the consultation with the Minister will result in the publishing of the Regulations in 2021.

The Office also completed its final round of public consultations on the proposed Consumer

Protection Regulations for the fuel sector. These regulations will regulate the terms and conditions under which the services and products in relation to fuels sector are provided by prescribing quality standards. The Office plans to submit the proposed Consumer Protection Regulations to Cabinet for approval and final drafting instructions in 2021.

The Office also issued a Consultation Paper on draft Consumer Protection Regulations for both the electricity and water sectors. The intent is to regulate the terms and conditions under which services in relation to the Energy & Utility sectors are provided by prescribing quality standards. The Office expects to submit the Proposed Consumer Protection Regulations to Cabinet for approval by end of Q2, 2021.

## Fuel Market Definition and Economic Regulatory Market Assessment

The Market Definition and Economic Assessment ranked the highest priority for the fuels

sector in 2020. During 2020, consultations were conducted on the Proposed Fuels Market Definition, which is considered an essential preliminary phase to the Economic Regulatory Market Assessment. The Market Definition study allows for understanding of the operation of markets to inform future developments for the comprehensive regulatory monitoring regime. Work also continued on the Competition Assessment report and the public consultation, commenced in February 2021.

## Renewable Energy Capacity Reallocation and Tariff Setting

The Office undertook two rounds of consultation on the proposed Renewable Energy Capacity Reallocation and Tariff Setting. The consultation papers outlined the legal basis for the capacity reallocation and tariff setting for 1 MW of capacity from the Distributed Energy Resources programme to the Customer-Owned Renewable Energy (CORE) programme and identifies the

approach and applicable principles. It sought input on the appropriate feed-in-tariff rate to be paid to CORE subscribers. The determination will be announced in February 2021.

## **Water Sector (Licence, Fee, Offence and Penalty) Regulations**

The Office again submitted the proposed Water Sector (Licence, Fee, Offence and Penalty) Regulations to Cabinet for its approval in July 2020. These Regulations, when enacted, will complete the regulatory framework and establish the long-term funding mechanism for the Water Sector and thus enable OfReg to effectively execute its regulatory activities for water service providers and water and wastewater operators. The Office is working with the Legal Drafting Department to complete the project.

## **Five Year Strategic Plan Review and Update**

During 2020, the Office commenced a review of the 2018-2022 strategic plan in accordance with Section 41 of the URC Act. The Office is required to update the strategic plan every 3 years. The review of the strategic plan is a key activity from a governance perspective and will drive the activities of the Office over the long-term. The Office reviewed the strategic plan in order to establish a programme of activities in the four sectors with tangible outcomes for the benefit of the Cayman Islands. The updated plan includes key performance indicators and expected outcomes for each activity for each sector. The strategic plan review and update also placed major emphasis on Institutional Strengthening, a key element of achieving the objectives that was not included in the initial strategic plan. The updated Strategic Plan will be published in Q2, 2021.





# Management's Discussion and Analysis

The Office is responsible for regulating licensees in the energy, ICT, water and fuel sectors in the Cayman Islands. This section gives an update from each of the sectors during 2020. Further information on the Auditor General's Performance Audit is also included in this section.

## Energy

The Office continued monitoring and oversight of the monopoly electricity provider in the Grand Cayman service territory, Caribbean Utilities Company, Ltd. ('CUC'); the monopoly electricity provider in Cayman Brac and Little Cayman, Cayman Brac Power & Light Company Ltd. ('CBP&L'); Bodden Town Solar I Limited ('BTSIL') (formerly Entropy Cayman Solar Limited); and the facilitation of initiatives to meet the NEP for the Cayman Islands.

A focus was on diversifying renewable energy infusion onto the grid. In addition to continuing its regulatory oversight of CUC, CBP&L, BTSIL and other future licensees, the Office plans to focus more on strategic issues in the sector such as protecting Critical National Infrastructure ('CNI') and fostering innovative technology processes and systems that will enable customers to benefit from improvements in services.

ICT

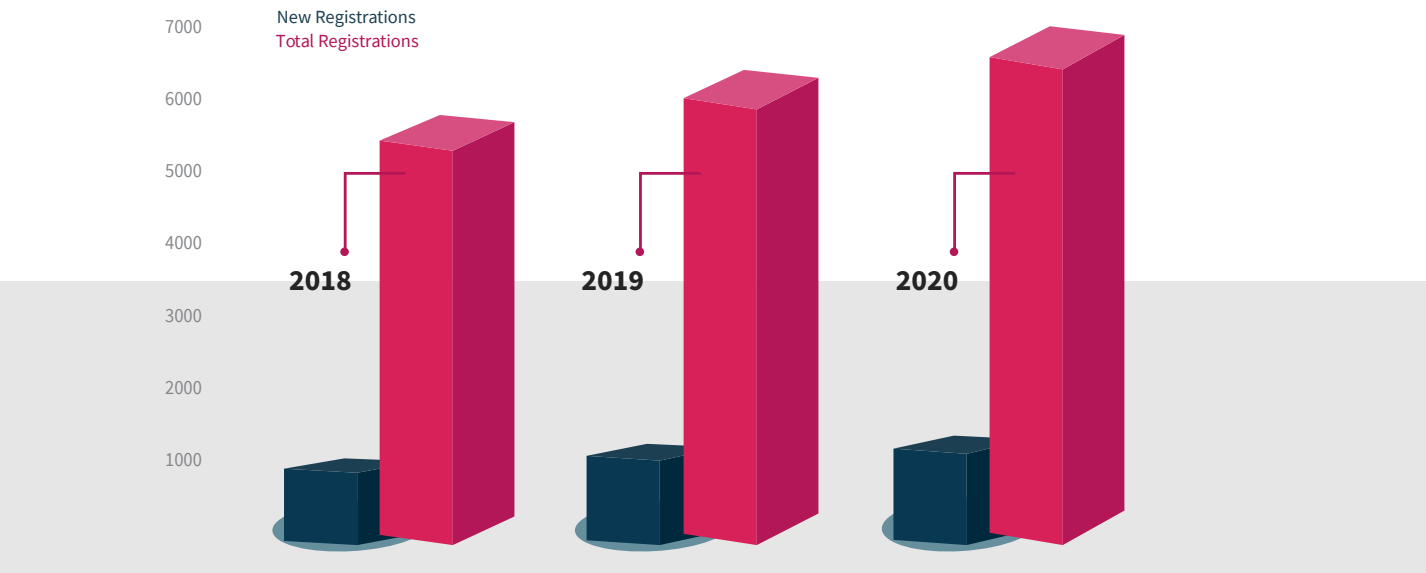
In 2020, the ICT sector made significant advancements towards promoting innovation and protecting CNI throughout the Cayman Islands. The Office also contributed to assisting with the response to the COVID-19 pandemic, with a number of initiatives gauged at assisting the public during the stay-in-shelter order. The Office spearheaded the project to provide free Wi-Fi across the Cayman Islands. This project was supported by FLOW, who provided bandwidth to facilitate the provision of Wi-Fi hotspot locations primarily located at government operated civic centres and facilities across all three islands. Additional initiatives are discussed in the “Key Milestones” section of this report.

In the area of cybersecurity, the Office: advised core Government on cybersecurity matters; provided

the National Security Council with a recommended course of action to combat cybercrime; and worked regularly with key stakeholders in developing cybersecurity strategies.

The value of the **.ky** domain continues to increase, such that it has attracted the interest of worldrenowned domain registrar company, GoDaddy. During 2020, Uniregistry, the third party responsible for marketing the dot ky domain transferred the domain portfolio section of their business to GoDaddy. GoDaddy is a publicly traded domain registrar company. This transaction has significantly increased the exposure of the dot ky domain. During 2020, the Office continued working on the expansion of the **.ky** domain, paving the way for additional registrars, the offering of short string character names and the onboarding of national registries.

.KY DOMAIN SALES & REGISTRATIONS



## Fuel

Despite the effects of the COVID-19 pandemic, the Office was able to progress work on the Fuel Market Assessment, with the completed report expected in February 2021. Considerable progress was also made on the Consumer Protection Regulations for the fuel sector.

The compliance and permitting programme under the Dangerous Substances Act, 2017 was severely impacted due to manpower resource constraints in these areas, combined with the broader impact of the pandemic and associated effects.

In the area of fuel quality assurance, the team ensured that work continued to validate and verify fuel quality. The Office conducted sampling and testing as prescribed based upon accepted/approved standards and in line with Purchase Agreement targets. The comprehensive regime for calibration of meters and dispensing equipment also continued in 2020 to ensure effective use for the general public's benefit.

Monitoring and posting of fuel prices throughout the Cayman Islands are being done on a consistent basis and posted weekly to [www.ofreg.ky](http://www.ofreg.ky) for the benefit of the public. Analyses of local price trends is also available for public access at the Office's website.

## Water

The Office continues to make progress in this sector with emphasis placed on the completion of the license negotiations with Cayman Water Company ('CWC'). The Office commenced negotiations with CWC on July 11, 2017 and in 2020 undertook a Cost of Service Study (COSS) to assist with the determination of new water rates, the acceptable return on investment and the allocation of general and administrative expenses from Consolidated Water Company, Ltd. to CWC.

The Office also anticipates that a new licensing regime will be in place for Water Producers and Suppliers licensees, Water Operators, Wastewater Operators and Water Producers and Suppliers for a defined area licensee, as stipulated in the Water Sector (Licence, Fee, Offence, and Penalty) Regulations.

The value of the **.ky** domain continues to increase, such that it has attracted the interest of world-renowned domain registrar company, Go Daddy.

## **Report of the Efficiency and Effectiveness of the Utility Regulation and Competition Office (Performance Audit)**

The OAG conducted an audit of the Efficiency and Effectiveness of OfReg over the first three years of its operations. This audit was finalised in June 2020. Sixteen recommendations were made to address deficiencies and challenges the Office face. Of the 16 recommendations to which OfReg had direct responsibility, 5 have been implemented whilst the balance is being progressed to the point requiring Cabinet's consideration and other stakeholder involvement.

The Public Accounts Committee (PAC) met to consider the Auditor General's Performance Audit Report in July 2020. Five Public Hearings were held with a number of witnesses called by the PAC to submit evidence for the Committee's consideration. The PAC issued a report on the Performance Audit which included an additional set of recommendations, with 24 recommendations falling under the direct responsibility of the Office. At the end of the year, the Office was in the process of preparing Management Responses to the PAC's recommendations.

## **Cost of Utilities**

The Economics and Statistics Office (ESO) published the Consumer Price Index Report for Q3 2020 in December 2020. The report indicated that the Housing and Utilities index showed a 2.8 percent decrease when compared to the Q3 2019. The primary driver of this reduction is a decrease in the cost of electricity by 24.6 percent. The average price for water supply fell by 15.3 percent and gas (LPG/Propane) by 2.2 percent. These decreases were

partially offset by the Housing factors which carries a greater weight for the Housing and Utilities index and experienced an increase in rental prices. (Consumer Price Index, 2020).

Consumers continue to benefit from the lower cost of diesel, which drives the cost of electricity and water supply as presented in the Consumer Price Index Report.



## Crude Oil and Fuel Prices trends in 2020

Fuel prices continued its volatile trend in 2020. COVID-19 had a pronounced effect on global demand for fuel and the glut resulted in a sharp decline in prices, crude oil in particular which recorded a negative price (see inverted spike in Graph 1) for the first time on record, and the lowest since 1998. Highest and lowest crude oil price during the year were 1.52 KYD per Imperial Gallons (IG) and -0.89 KYD per IG respectively, which impacted refined fuel products prices.

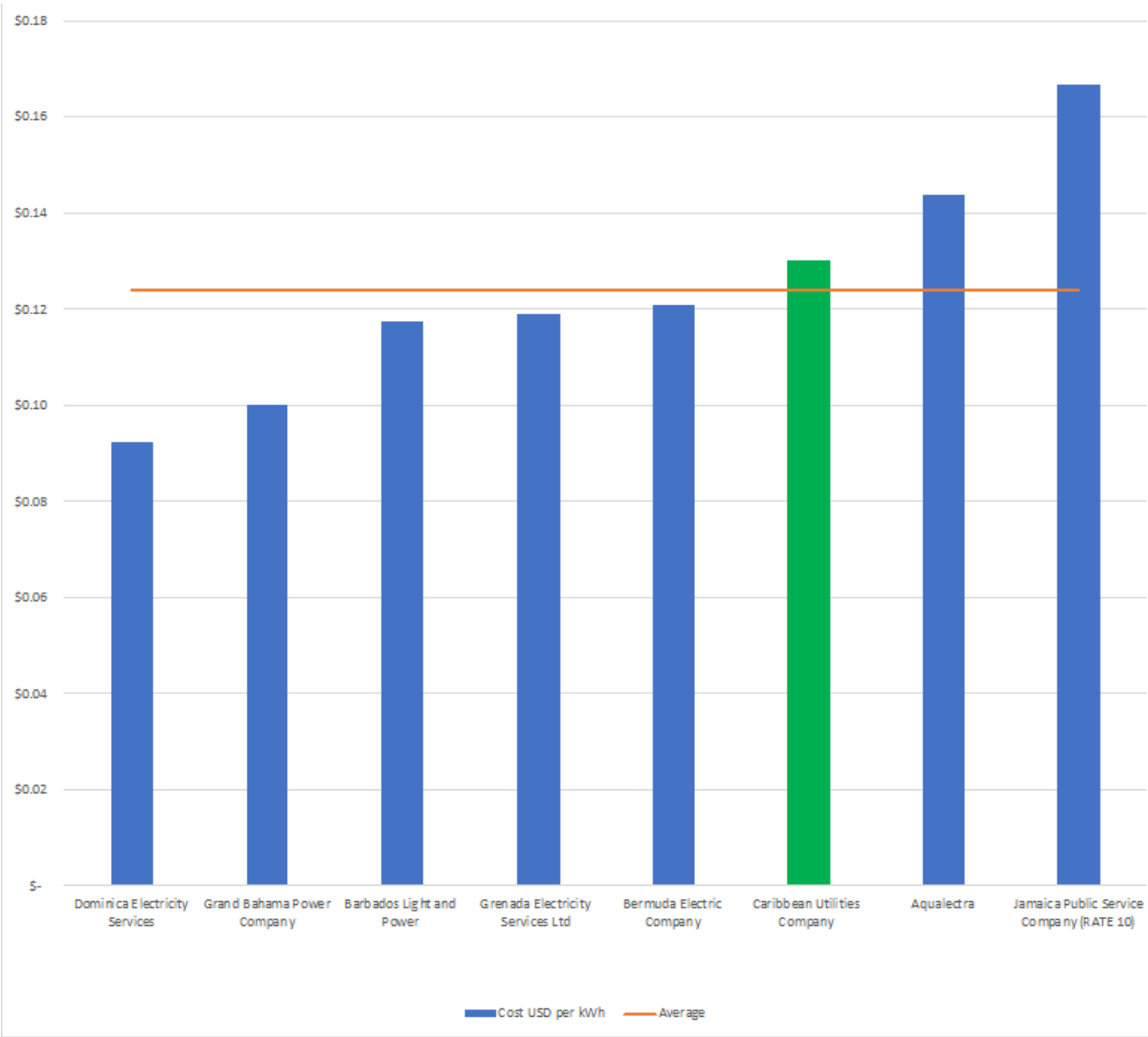
The graphs show the trend of crude oil and refined fuel prices relevant to the Cayman Islands and local fuel prices during 2020. Local prices generally followed refined price trends in the first half of the year, however during the second half of 2020, local prices remained generally stable relative to moderately increasing refined prices observed in global price trends. OfReg worked closely with the fuel suppliers to minimize the economic impact of fuel prices on consumers across the Cayman Islands.

Consumers benefited from lower-than-average fuel price across all grades of products in 2020 with regular gasoline being the lowest on average throughout the year. In one instance, gasoline price fell below 3.00 KYD per IG, the lowest it has been since 2009, based on OfReg's records.

Across the region, prices in comparable jurisdictions were observed to follow similar trends in previous years. Local prices continued in the median price range when compared to the regional jurisdictions analyzed.

### Comparative 2020 Fuel Factor (USD per KWh)\*

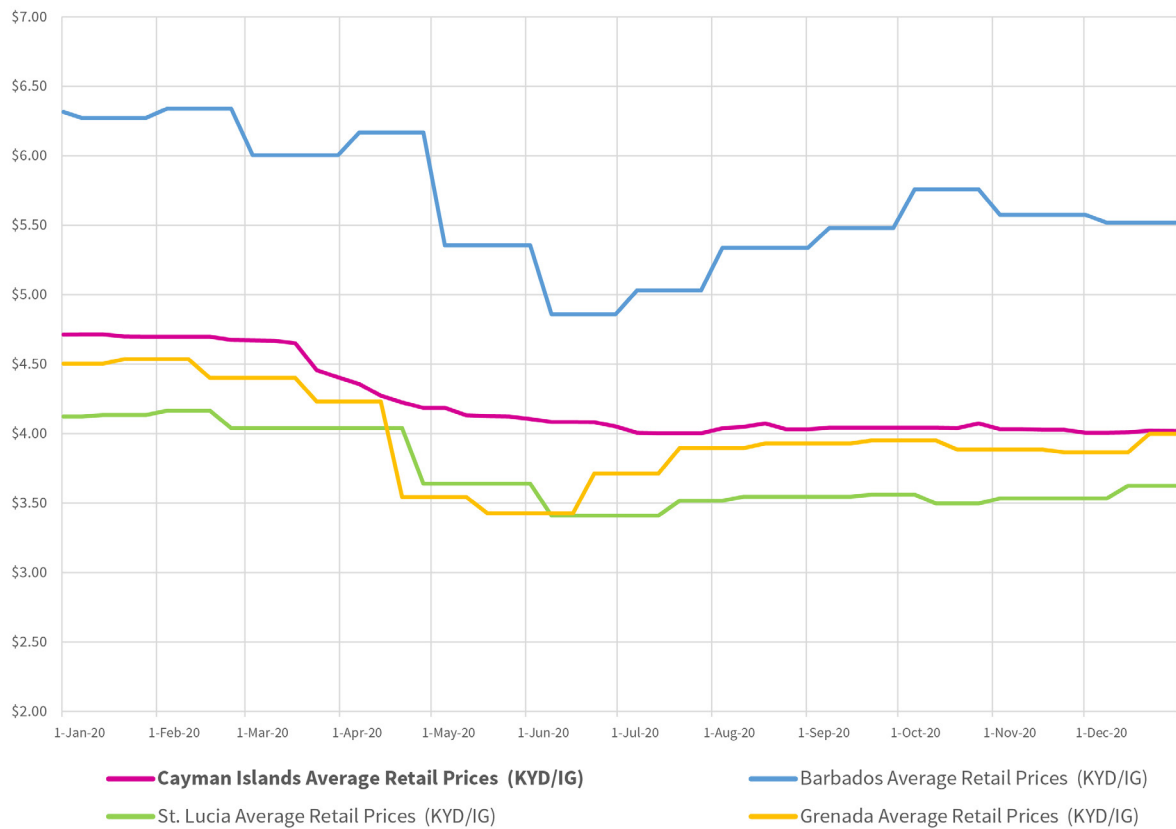
The Office compared the 2020 average cost of the Fuel Factor pass-through amongst 8 different electric utilities in the region. The cost of the Fuel Factor in Grand Cayman was found to be just above the average of US\$0.12 per kWh. From the data collected Jamaica Public Service had the highest average 2020 fuel costs of US\$0.17 per kWh, while Dominica Electricity Services had the lowest average 2020 fuel cost of US\$0.09 per kWh. Note, all currencies were converted to USD for comparative purposes.



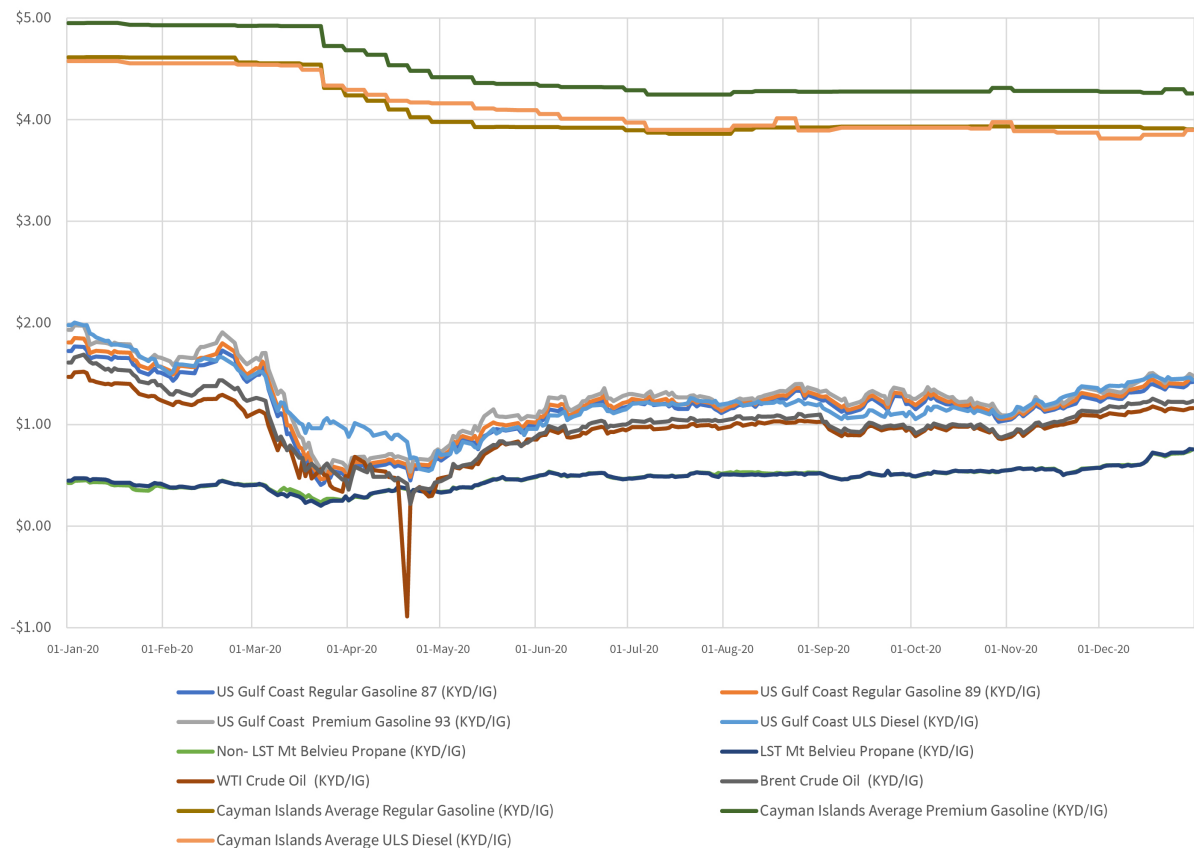




## Cayman Islands vs. Comparable Regional Average Retail Prices in 2020 (KYD/IG)\*



## Cayman Islands Retail vs. US Gulf Coast Refinery and Oil Prices in 2020 (KYD/IG) \*



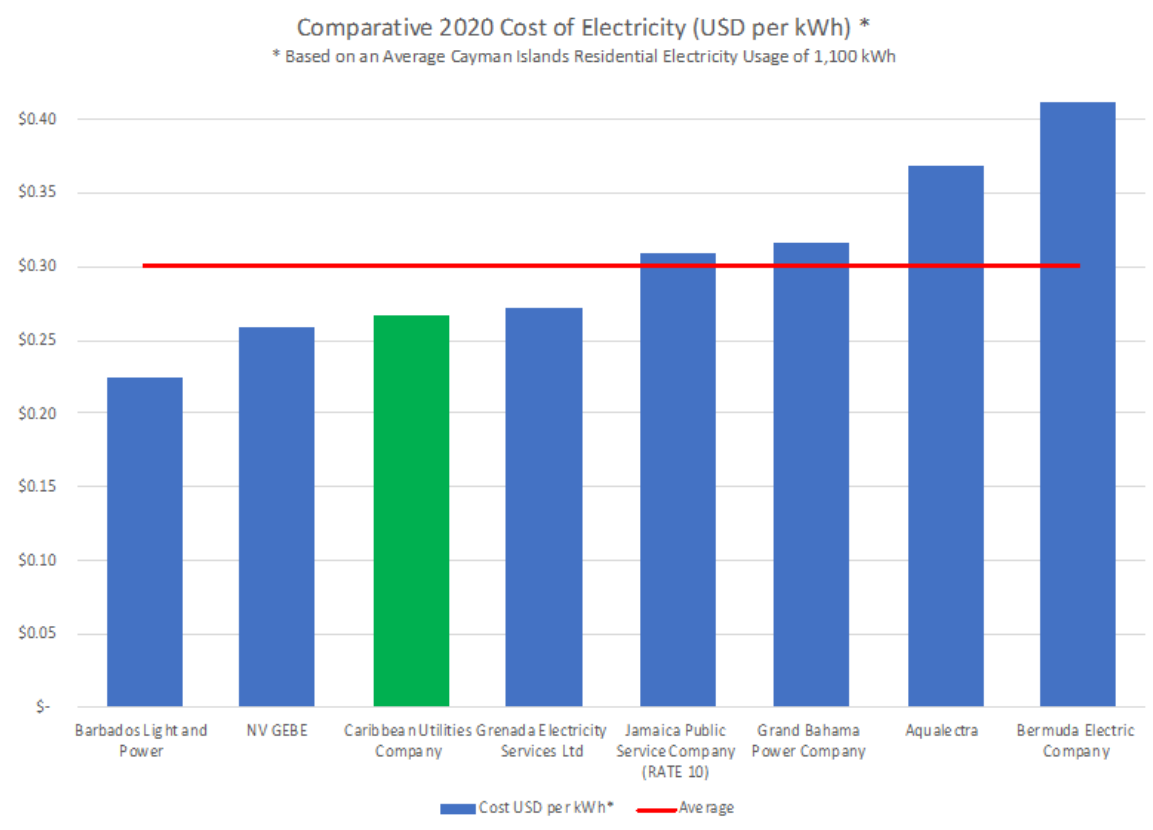
### \*References:

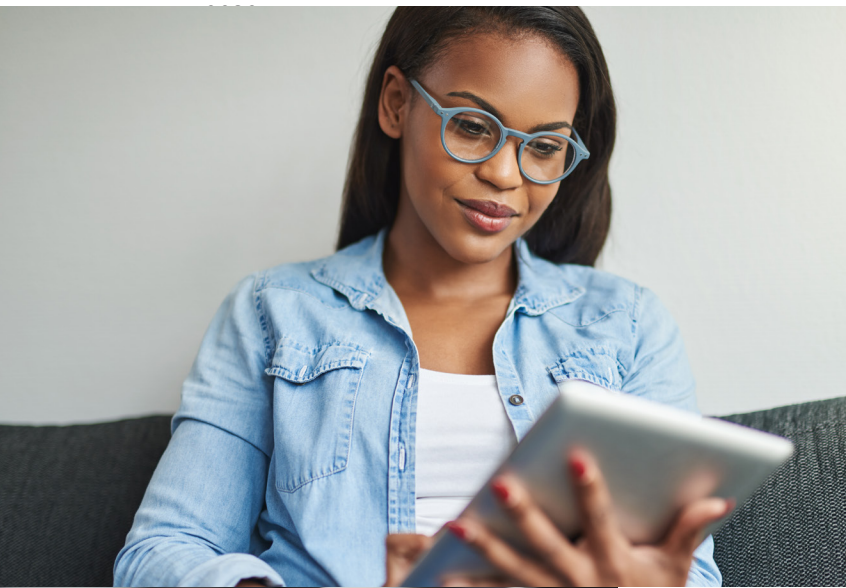
- <https://www.cuc-cayman.com/customer-service/fuel-cost/>
- <https://www.cuc-cayman.com/customer-service/billing-rates/>
- <https://www.belco.bm/general/fuel-adjustment.html>
- <https://www.belco.bm/residential-services/residential.html#rates>
- <https://www.aqualectra.com/rates/>
- <https://www.blpc.com.bb/index.php/customer-care/fuel-clause-adjustment>
- <https://www.blpc.com.bb/index.php/residential/tariffs-and-riders-residential>
- <https://gb-power.com/residential/energy-usage/#fuelchargeinformation>
- <https://gb-power.com/residential/billing/power-rates/>
- <http://grenlec.com/YourEnergy/Rates.aspx>
- <https://www.jpsco.com/jps-home/fuel-rates-2/>
- <https://www.jpsco.com/2020-2021-rate-schedules/>
- <https://www.facebook.com/page/110327952314188/search/?q=fuel%20clause>
- <https://www.nvgebe.com/rates-tariffs.php>



## Cost of electricity compared to other regions\*

The Office compared the average cost of electricity of 8 different electric utilities in the region and, the overall cost of electricity in Grand Cayman was found to be below average. Based on an average Cayman Islands Residential usage of 1,100 kWh per month, CUC was providing electricity at an average cost of \$0.27 USD per kWh in 2020. To compare CUC to the other regional electricity providers, the Office assumed a similar average residential electricity consumption pattern of 1,100 kWh per month and used the average 2020 electricity rates for each respective utility. From the data collected, Bermuda Electric Company had the highest average 2020 cost of US\$0.41 per kWh while Barbados Light and Power had the lowest cost of US\$0.22 per kWh. Note, all currencies were converted to USD for comparative purposes.







## Key Milestones in 2020

The following key milestones were achieved by the sectoral teams during the Office's 2020 financial year:

# Energy

>>>  
20MW Energy Storage

The Office approved the CUC 20MW Energy Storage Project which will lower the cost of electricity to consumers and also increase the amount of intermittent renewable energy capacity that can safely be added to the grid without compromising its reliability and stability by 12MW.

>>>  
CUC Rate Base  
Adjustment Proposal

The Office conducted a detailed review of the CUC 1 June 2020 Rate Base Adjustment Proposal, the Office granted approval as allowed under the Rate Cap Adjustment Mechanism (RCAM) contained in the T&D licence. The implementation of the adjustment was deferred until 1 January 2021. This deferral was considered prudent to lessen the impact on consumers considering the economic, social and health impacts of the COVID-19 pandemic and the prevailing environment.

>>>  
Fuel Price Volatility  
Management Plan

The Office reviewed and approved the Fuel Price Volatility Management Plan (FPVMP) for the 2020-2021 calendar year as recommended. FPVM Plans typically call for purchasing 12-month hedging contracts from multiple providers using New York Mercantile Exchange (“NYMEX”) No. 2 Heating Oil as a proxy hedge since it is almost identical in terms of refining to Ultra Low Sulphur Diesel (ULSD).

The CUC 20MW Energy Storage Project will lower the cost of electricity to consumers





CUC COVID-19 Cost  
Recovery Proposal

>>>

The Office worked with CUC to ensure that no disconnections were made during the lockdown period, disconnected parties were reconnected, and that payment plans were made available to all customers. The Office reviewed and approved the CUC COVID-19 Cost Recovery Proposal that enables CUC to recover these costs over a 12-month period commencing in January 2021.

George Town  
Revitalisation Street  
Lighting Rates

>>>

During 2020, the Office reviewed and approved CUC's proposed George Town Revitalisation Street Lighting Rates.

# ICT

Licence Renewals	>>>	The Office initiated its programme to renew the licences of all licensees who were operating under extended licences.
Internet Exchange Point	>>>	The Office published a consultation on a first-term Internet Exchange Point licensing and regulatory framework. The Office expects to be prepared to issue an initial licence in Q1 2021.
COVID-19 response support	>>>	During 2020, the Office's COVID-19 response included collaboration with the Ministry of International Trade, Investment, Aviation and Maritime Affairs to build an online system to automate the curfew exemption request and approval process for businesses. The Office also spearheaded an initiative in collaboration with telco licensees to ensure residents could contact essential services at no charge. The Office worked with mobile providers to ensure that access to certain government websites incurred no data charges from mobile devices and in support of Government's quarantine programme for inbound travellers, the Office worked with ISP's to ensure bandwidth to quarantine hotels was increased temporarily.

Multi-agency COVID-19 response in partnership with the private sector





Critical National  
Infrastructure  
Strategy

>>>

The Office commenced a number of initiatives during 2020 in relation to the ICT CNI Strategy, including: the launch of the first phase of the “Click Before U Dig” underground infrastructure protection programme; provision of support and information to the Ministry of Commerce, Planning and Infrastructure in support of their third international subsea cable initiative and conducted a second consultation on the Pole Attachment (Reservation Fees) dispute.

# Fuel

## National fuel quality standards

&gt;&gt;&gt;

The Office focused on progressing the National Energy Policy (NEP) goals relating to the fuel sector, establishment of national fuel quality standards, and support for the Cayman Islands National Maritime Strategy with emphasis on III Code compliance extended by the UK to its OTs.

## LPG Market Anti-Competitive Investigation

&gt;&gt;&gt;

During 2020, three major investigations were progressed to conclusion during the year; namely the LPG Market Anti-Competitive Investigation, the Propane Cylinder Incident, and RUBIS Tank Release Incident. The first two investigations were completed, and enforcement actions taken, while the other is ongoing for conclusion and potential enforcement.

## Other achievements

&gt;&gt;&gt;

Other noteworthy achievements in the fuels sector include a merger assessment and pending approval, acquisition of an emergency trailer, and the roll out of the Fuels team internship (and mentoring) programme. The Fuel Sector Team also provided support as required during emergencies and events of national significance given their role as members of the national emergency response team.

Focusing on progressing the National Energy Policy (NEP) goals relating to the fuel sector





# Water

Interim funding  
mechanism

>>>

During 2020, an interim funding mechanism for the Water sector was negotiated with the Water Authority Cayman (WAC) to enable the Office to acquire and deploy resources necessary to properly regulate the sector.

COSS on the Cayman  
Water Company

>>>

The Office commenced a (COSS) on the Cayman Water Company. The purpose of the COSS is to assist with the determination of new water rates, and to determine a reasonable allowed return on investment for the grant of a new Water Producers and Supply Licence. The COSS will conclude in Q1, 2021. The existing licence extension expired on 31 January 2018, and negotiations continued during 2020.

# Financial Performance & Analysis

## Summary of PMFL Ownership Targets

Pursuant to the PMFL, the following ownership targets for the Office were agreed between Cabinet and the Board for the 2020 financial year

### Ownership Agreement Targets for Fiscal Year January – December 2020

Target	Deadline	Status
To establish a 90-day operating expenses reserve for the organisation.	31 December 2020	Funding is available to establish the 90-day reserve. The Office is currently working on a general reserve policy to govern the use of the reserve. The policy is scheduled to be completed in Q2 2021.
To identify and complete the necessary corporate governance policies and procedures required to enable the Office to effectively carry out its functions under the various laws.	31 March 2020	During 2020, the Board approved: a board and management communications framework; an Anti-Fraud policy; an IT Acceptable Use and Security policy; a Hospitality, Entertainment and Gift policy; an Information Security Breach Policy; and a Human Resource Policy and Procedure Manual. The update of the 5-year Strategic Plan will pave the way for the implementation of additional corporate governance policies and procedures. The Office continues to develop and put in place robust mechanisms to improve governance and systems of control.
To secure new office accommodations in order to improve productivity and ensure adequate space is available for employees.	30 September 2021	During 2020, the search for new office accommodations was temporarily halted due to the COVID-19 pandemic. The Office will continue the search for suitable office accommodations in 2021.
To develop and implement an employee performance management system to support continued employee and growth and succession planning.	30 June 2020	Performance agreements were completed with senior management in 2020. An office wide performance management system will be implemented by June 30, 2021.



## Fuel Sector Outputs

The following results were achieved by the Fuel sector team during the Office's 2020 financial year:

## URC 10 - Monitoring and Controlling of Petroleum Products, Storage and Handling

Objectives/ Action/ Measures		Annual Objective	Actual
<b>Quality</b>	General Inspection (all permitted premises and vehicle)	270-300	103
	Statutory Consultation (Planning and Permitting)	60-120	255
	Fuel and Energy related Initiatives Engagement	5-10	27
	FOI, Media and Complaints handled/addressed	40-60	11
	Quality Control & Fuel testing	4-10	8
	Issuance of Operating and Import Permits, and Calibration Certs	210-245	142
	Pump Calibrations witnessed/supervised (Premises/Vehicles)	40-50	37
	General Policy Advice and Consultation	35-50	19
	Emergency and Spill Response Management	8 – 10	28
	Technician certification (certificates issued)	30-40	0



**100 %**

Comply with the Dangerous Substances Handling and Storage Act, 2017, its Regulations and relevant industry codes and standards determined by CPI in consultation with relevant stakeholder



**100 %**

Inspections to be carried out by qualified, competent and experienced Inspectors



**100 %**

Activities to be carried out to the highest ethical and professional standards using relevant and up-to-date industry information and practice, and engaging certified organisations where necessary



## Timelines



**95 %**

Inspections (Cycle)  
to be completed  
within five (5)  
working days  
Calibrations to be  
completed within  
48 hours



**95 %**

Turnaround time  
of three (3) days to  
action and respond  
to applicant  
on Planning  
and Permitting  
Applications



**100 %**

All other Tasks to be  
completed within  
set/established  
timeline including  
and not limited to  
Operating Permit  
Issuance, Remedial  
Notices, Appeals,  
Reports, etc.

**100 %**

**Cayman Islands**

**Location**



## URC 11 – Economic Regulations; Monitoring and Directing the Fuel Sector and Relevant Market

Objectives/ Action/ Measures		Annual Objective	Actual
<b>Quality</b>	Collate and Analyse “Section 10” Data from Importers	200-264	214
	Execute License Agreement with Major Fuel Licensees	10-12	0
	Monitoring and post Fuel Prices and analysis on a fortnightly basis	30-52	82
	Bi-annual market review and report submission on adequacy of regulation and state of competition in relevant markets	2-6	6
	Establish guidelines and criteria for new entrants to relevant Fuels Market	1-2	5
	Evaluate and report on adequacy of fuel mix bi-annually	1-2	3
	Function as Focal Point for CEIS/SRC providing data as required	10-13	17
	Represent government on Intl. Fuel Regulatory Affairs	2-3	0
	Annual engagement with Licensees	12-20	14
	Enforce Regulatory Breaches	20-40	7
	Regulatory Investigations	2-5	9
	Consumer & Public Awareness and Engagement on Fuel Sector	4-6	10



**100 %**

Comply with Fuels Market Regulation and Utility Regulation and Competition laws, and relevant regulation and competition regulations, guidelines and determination required by the Office and Cabinet



**100 %**

Economic Regulations to be administered by qualified, competent and experienced Analysts, Economists and Management team members



**100 %**

Activities to be carried out to the highest ethical and professional standards using relevant and up-to-date industry information and practice, and engaging certified organisations where necessary to augment the work of the Office



## Timelines



**95 %**

Relevant analysis, research, assessment to be carried out within adequate timeframe to allow the Office to minimise and mitigate against negative competition effects in a timely manner.



**95 %**

Local price monitoring data to be posted within 48 hours of the most recent surveyed prices



**100 %**

All other tasks to be completed within set/established timeline

**100 %**

**Cayman Islands**

Location



## Financial Targets

Pursuant to subsection 52(2)(c) in the PMFL, the tables below show the execution against agreed financial targets for the 2020 financial year.

Financial Performance Measure		2020 Budget 12 Months \$ 000's	2020 Actual 12 Months \$000's
#			
1.	Revenue from Cabinet	1,758	1,628
2.	Revenue from ministries, portfolios, statutory authorities and government companies	Nil	Nil
3.	Revenue from other persons or organisations	4,755	3,710
4.	Other expenses	5,511	4,411
5.	Net Surplus/Deficit	1,002	927
6.	Total Assets	5,127	4,753
7.	Total Liabilities	350	1,643
8.	Net Worth	4,777	3,110
9.	Cash flows from operating activities	1,061	(1,103)
10.	Cash flows from investing activities	(1,489)	(53)
11.	Cash flows from financing activities	-	-
12.	Change in cash balances	(428)	(1,156)

<b>Financial Performance Ratio</b>	<b>2020 Budget 12 Months \$ 000's</b>	<b>2020 Actual 12 Months \$000's</b>
------------------------------------	---	--

#

13. Current Assets:Current Liabilities	12.46:1	9.18:1
14. Total Assets: Total Liabilities	14.653:1	2.03:1

<b>Human Capital Maintenance</b>	<b>2020 Budget 12 Months</b>	<b>2020 Actual* 12 Months</b>
----------------------------------	----------------------------------	-----------------------------------

#

15. Total full time equivalent	28	25
16. Staff turnover (%)	Nil	4.00
17. Average length of service (Number of Years)		
18. Senior management	4.98	5.60
19. Professional staff	5.71	5.73
20. Administrative Staff	12.13	12.13
21. Significant changes to personnel management	None	None

<b>Physical Capital Measures</b>	<b>2020 Budget 12 Months</b>	<b>2020 Actual 12 Months</b>
----------------------------------	----------------------------------	----------------------------------

#

22. Value of total assets	5,127	4,753
23. Asset replacements: total assets	0.01:1	0.24:1
24. Book value of depreciated assets: initial cost of those assets	0.50:1	0.09:1
25. Depreciation: Cash flow on asset purchases	1.53:1	1.04:1
26. Changes to asset management policies	None	None

Major Capital Expenditure Projects		2020 Target \$	2020 Actual \$
#			
27.	Leashold Improvements	300,000	-
28.	Testing Equipment	50,000	-
29.	Fuel Analyser	75,000	-
30.	Emergency Fuel Response Trailer	50,000	2,400
31.	IT Upgrade	25,000	-
32.	IT Equipment	-	13,848
Operating Statement		2020 Budget 12 Months \$ 000's	2020 Actual 12 Months \$000's
#			
33.	Revenue	6,513	5,338
34.	Operating Expenses	5,511	4,411
35.	Net Surplus/(Deficit)	1,002	927
Balance Sheet		2020 Budget 12 Months \$ 000's	2020 Actual 12 Months \$000's
#			
33.	Assets	5,127	4,753
34.	Liabilities	350	1,643
35.	Net Worth	4,777	3,110

Statement of Cash Flows		2020 Budget 12 Months \$ 000's	2020 Actual 12 Months \$000's
#			
36.	Net cash flows from operating activities	1,061	(1,103)
37.	Net cash flows from investing activities	(1,489)	(53)
38.	Net cash flows from financing activities	-	-

Transaction		Amount for 2020 Target \$	Amount for 2020 Actual \$
#			
39.	Equity Investments into OfReg	Nil	Nil
40.	Capital Withdrawals from OfReg	Nil	Nil
41.	Dividend Distributions to be made by OfReg	Nil	Nil
42.	Government Loans to be made to OfReg	Nil	Nil
43.	Government Guarantees to be issued in relation to OfReg	Nil	Nil
44.	Related Party Payments (Non-Remuneration) made to Key Management Personnel	Nil	Nil
45.	Remuneration Payments made to Key Management Personnel	204,000	180,367
46.	Remuneration Payments made to Senior Management	1,097,676	1,049,102

Balance Sheet		Number for 2020 Target	Number for 2020 Actual*
#			
33.	No of Key Management Personnel	7	6
34.	No of Senior Management	7	6

# The Utility Regulation and Competition Office

This is the 2020 Annual Report for the Utility Regulation and Competition Office (the 'Office' or 'OfReg') for the period 1 January 2020 to 31 December 2020.

This report is submitted in accordance with the reporting requirements of section 52 of the Public Management and Finance Act (as revised) (the 'PMFA') and section 43 of the Utility Regulation and Competition Act (as revised) (the 'URC Act'). The report is prepared for Cabinet, to whom OfReg is accountable, as well as the general public and licensees.



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