

2020 Annual Plan



UTILITY REGULATION AND COMPETITION OFFICE

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## ABBREVIATIONS AND ACRONYMS

CIRT-KY	Cyber Incident Response Team, Cayman Islands
CNG	Compressed Natural Gas
CNI	Critical National Infrastructure
CUC	Caribbean Utilities Company
CWC	Cayman Water Company
DER	Distributed Energy Resource
DNSSEC	Domain Name System Security Extensions
DS Law	Dangerous Substances Law (as revised)
ENS	Emergency Notification System
ERA	Electricity Regulatory Authority
EAS	Emergency Alert System
EPC	Energy Policy Council
ESR Law	Electricity Sector Regulation Law (as revised)
FMR Law	Fuels Market Regulation Law
ICT	Information and Communications Technology
ICTA	Information and Communications Technology Authority
ICT Law	Information and Communications Technology Law (as revised)
IRP	Integrated Resources Plan
ITU	International Telecommunication Union
KPI	Key Performance Indicator
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MW	Mega Watt
NEP	National Energy Policy
NRA	National Roads Authority
OFREG	Utility Regulation and Competition Office
PAL	Public Authorities Law (as revised)
PI	Petroleum Inspectorate
RE	Renewable Energy
RFP	Request for Proposal
URC Law	Utility Regulation and Competition Law (as revised)
WAC	Water Authority Company
WSR Law	Water Sector Regulation Law (as revised)

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## A. Introduction

The Utility Regulation and Competition Office (the '**Office**') is the independent regulator 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.

The Office operates under the brand name '**OfReg**' and seeks to be predictable, 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 in relation to 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.

The Office's **Vision** is: "**Fair Regulation 4 Consumers & Industry.**"

The Office's **Vision Statement** is:

*"to be a leader in regulatory excellence, demonstrating our commitment to the public, to the companies we regulate, and our colleagues by building an environment of mutual respect, professionalism, and diversity, while promoting competition and innovation".*

The Office's **Mission** is:

*"to ensure safe, reliable, economic public utilities to businesses and the people of the Cayman Islands. To achieve this, the Office will:*

- *Ensure that service providers operate in an environment which is fair and provides an opportunity to realise 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 polices 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;*
- *Encourage the conservation of natural resources and environmental preservation;*
- *Ensure effective methods of communicating the Office's areas of regulation, decisions and their impacts on the public;*
- *Develop and promote activities that encourage stakeholders trust and confidence;*

- *Serve the public interest through a commitment to professionalism, diversity, mutual respect and ethical conduct."*

The Office was established as a multi-sector regulator by section 4 (1) of the Utility Regulation and Competition Law (2019 Revision) (the '*URC Law*'). The Public Authorities Law (2020 Revision) ("*PAL*"), which came into force on 1 June 2017 via a Cabinet Order<sup>1</sup>, regulates the management and governance of the Office. The Office derives its authority and functions in the various sectors through a variety of Laws, the principal ones being the Electricity Sector Regulation Law (2019 Revision) (the '*ESR Law*'), the Information and Communication Technology Law (2019 Revision) (the '*ICT Law*'), the Dangerous Substances Law (2017 Revision) (the '*DS Law*'), the Fuels Sector Regulation Law 2017 (the '*FSR Law*') and the Water Sector Regulation Law (2019 Revision) (the '*WSR Law*'), as these may be amended from time to time (together, the '*Sectoral Laws*').

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

Section 41(1) of the URC Law requires the Office to publish an Annual Plan that meets the following requirements:

*(1) No later than one month before the end of each financial year, the Office shall prepare and publish —*

- (a) a plan of its proposed objectives for the forthcoming year; and*
- (b) a report of the carrying out of its functions during that financial year; and*
- (c) its approved budget for the forthcoming year.*

*(2) The annual plan shall —*

- (a) set out the Office's strategy for the forthcoming financial year to meet the objectives set out in any sectoral legislation;*
- (b) set out the broad priorities of the Office for the two years following the forthcoming year provided that these may require adjustments in light of any sectoral policy published by the Government in any sectoral utility under the terms of any sectoral legislation;*
- (c) include a series of key performance indicators against which it shall measure its performance during the forthcoming year;*
- (d) include the level of remuneration to be received by non-executive and executive members for the forthcoming year; and*
- (e) set out the Office's budget based upon its target activities for the forthcoming year.*

<sup>1</sup> See The Public Authorities Law, 2017 (Commencement) Order, 2017.

## Strategic Plan

The Office's Strategic Plan 2018 – 2022 is intended to guide the Office's short- and medium-term focus in each of the sectors for which it has responsibility and to support Government's strategic 2018 – 2021 priorities.

The Office's strategic plan will be updated in Q4 of 2020 to ensure relevance and adaptation to changes in the environment and organisation but also to ensure the Office's objectives, plans and priorities going forward are informed by the Government's 2020 strategic policy statement.

The Office's strategic focus in the discharge of its functions are to:

- Promote effective and fair competition where appropriate;
- Protect the interests of consumers while being guided by the principle of balancing the interests of all stakeholders to create an environment of equity and fairness;
- Facilitate economic and national development;
- Promote innovation thereby creating opportunities and an environment to foster technological development;
- Develop regulatory instruments to optimise regulatory outcomes to the benefit of the Cayman Islands.

Our 2020 Annual Plan and Budget outlines OfReg's work programme and budget for the period. The composition of the plan is generally informed by OfReg's statutory dictate, the mission and vision of the organisation and our strategic goals and objectives as informed by government's policies and priorities. Important elements for the 2020 plan are to ensure that OfReg is progressive and strives continually to improve organisational efficiency and effectiveness and regulatory excellence; the promotion of competition where practical and feasible; and improved engagement with its stakeholders, not only to understand and satisfy their needs but also to ensure the roles, duties and functions of OfReg are understood by all stakeholders. Emphasis will be placed on improved protection for consumers and the delivery of value for all stakeholders, while consistently exhibiting professionalism and ethical conduct.

In accordance with its statutory obligations under section 41 of the URC Law, this document is the Office's 2020 Annual Plan which, along with any applicable Government policy, will guide the Office's work in 2020 in each of the sectors for which it has responsibility.

This Plan has been prepared in-line with the Government's two-year budget cycle and the budget associated with this plan is consistent with that two-year cycle.

However, the Office will publish its Plan annually, consistent with its obligation under section 41 of the URC Law.

In designing the plan, OfReg aims to give special attention to the following areas:

- Designating priorities – identification of priorities and adherence to these;
- Enhancement of the compliance methodology and framework;
- Spectrum Harmonisation & preparation for 5G;
- Providing opportunities for success and personal development across the organization;
- Delivering better outcomes for consumers by promoting as far as possible, competition in the regulated sectoral markets.
- Assessing and determining the extent to which the organisation is resourced and structured to optimise efficiency, effectiveness and delivery of services to our stakeholders.
- Designing critical performance measures and the identification of key indicators to measure the success of the organisation and the annual plan;
- Focusing on Performance Management to ensure optimal performance to achieve the strategic objectives of the organization and to drive accountability;
- Ensuring OfReg delivers best practice regulation, considering the changing environment and need for next practices to be responsive and relevant by implementing new operational strategies; and,
- Improving the Stakeholder Engagement Framework that enables OfReg to efficiently and regularly reach and engage all of its stakeholders.

There will be major activities in each of the regulated sectors over the period. The Office also proposes changes to the various sectorial laws and regulations as part of its mandate to keep all relevant laws under constant review.

In the Energy sector, the Office will review the transmission and distribution licence of the Caribbean Utilities Company Ltd. (CUC). This will present the opportunity to address such matters as rates design, integrating and facilitating increased adoption of renewable energy technologies and examine how to mitigate the perceived effect of the monopoly. The Office will also continue the initiatives to implement the strategies of the National Energy Policy (NEP) to lower the overall

cost of electricity to consumers in addition to considering initiatives to enhance the grid to enable it to withstand natural disasters and cyber security threats.

In the Fuels sector, the emphasis will be on completing the regulatory market assessment to determine the way the sector will be regulated to benefit consumers in the short to medium term. Other key focus areas include the establishment and implementation of fuel quality standards, enhanced oversight to improve compliance for storage and handling of fuel to prevent incidents, and of equal importance, ensuring a sustainable fee regime is in place to sustain the ongoing regulatory and compliance work in the sector. As part of the consumer protection focus, the Office will implement Consumer Protection Regulations and implement a Licensing Framework for the fuels sector.

In the ICT sector, the plan will focus primarily on the extent to which the OfReg's interventions can create greater competition, consumer choice and address current concerns about quality and reliability of networks and services, expressed by businesses and consumers alike. Consumers are a focus, and a major deliverable for 2020 through the implementation of Consumer Protection Regulations. We will also conduct a spectrum audit to ensure efficient management of this vital natural resource which will limit interference between users and enhance benefits to consumers. Several licence renewals will be undertaken, as well as initiatives to facilitate the deployment of broadband infrastructure throughout the Cayman Islands. Additionally, the Office will finalise a cyber security strategic plan and the CIRT-KY plan.

In the water sector the Office will focus on concluding the licence negotiations with Cayman Water Company (CWC), establishment of the framework for regulation of the Water Authority Cayman (WAC) and promulgation of the Water Sector (Licence, Fee and Penalty) Regulations. We will work to ensure efficiencies are achieved in both water and wastewater services to reduce the overall cost of water services to consumers. The Office will implement a Customer Service Code and collaborate with the two monopoly providers to ensure that they provide a high level of customer service that responds to consumers expectations. A cost of service study is also planned to be conducted on both water service operators.

This ambitious plan reflects the challenging and dynamic environment within which the Office operates, which features evolving national energy policy frameworks, and emerging and rapidly changing technologies and regulatory tools to promote sustainable energy for energy and water, and the rapidly changing technology environment of the ICT sector. Flexibility and agility are essential given the COVID-19 crisis to ensure adaptability to changing environment and the ability to be proactive and respond appropriately.

As a regulator, the input of all our stakeholders is important in assisting in the development of future utility services and we will continue to seek to improve our



consultation and outreach and to develop a stakeholder engagement framework that will guide how communications with Government, industry, and consumers.

Overall, the key component in the delivery of this annual plan is OfReg's staff, who through their aptitude, attitude, talent and experience, the team commits to produce key deliverables in a challenging field, undergirded by a mix of legacy laws, licences and agreements. The Office is committed to supporting the team's professional training, development and enhancement of requisite skills, planned and orchestrated through proper succession planning and development which will allow the organization to continue to deliver vital services for the Cayman Islands.

## B. Legal Framework

### Principal Statutory Functions

1. The Utility Regulation and Competition Office is a statutory authority as defined by section 2 of the PAL and is therefore a public authority. As a consequence, its structure and governance must comply fully with this law, established to govern the statutory authorities and government companies in the Cayman Islands.
2. The URC Law sets out the principal statutory functions of the Office as set out in section 6(1) of the Law.

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

- a) to promote objectives set out in any Policy;*
- b) to promote appropriate effective and fair competition;*
- c) to protect the short and long term interests of consumers in relation to utility services and in doing so –*
  - i. supervise, monitor, and regulate any sectoral provider, in accordance with this Law, 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. publish information, reports and other documents relating to utility services; and*
- d) to promote innovation and facilitate economic and national development.*

3. Section 41 of the URC Law requires the Office to publish an annual plan.

*41. (1) No later than one month before the end of each financial year, the Office shall prepare and publish –*

- a) a plan of its proposed objectives for the forthcoming year; and*
- b) a report of the carrying out of its functions during that financial year; and*
- c) its approved budget for the forthcoming year.*

*(2) The annual plan shall –*

- a) set out the Office's strategy for the forthcoming financial year to meet the objectives set out in any sectoral legislation;*
- b) set out the broad priorities of the Office for the two years following the forthcoming year provided that these may require adjustments in light of any sectoral policy published by the Government in any sectoral utility under the terms of any sectoral legislation;*
- c) include a series of key performance indicators against which it shall measure its performance during the forthcoming year;*
- d) include the level of remuneration to be received by non-executive and executive members for the forthcoming year; and*
- e) set out the Office's budget based upon its target activities for the forthcoming year.*

4. To promote transparency and accountability, **section 42** of the URC Law provides for the external review and evaluation of the Office's short-term objectives by the Auditor General:

*42. The Auditor General shall, every three years, report to the Board on -*

- a) the Office's performance against its annual plan;*
- b) the extent to which the Office's deployment of its financial resources has delivered value for money; and*
- c) the impact of the Office's regulatory decisions when compared to the expected impacts established through regulatory impact assessments carried out by the Office;*

## Sectoral Statutory Functions

5. As a multi-sector regulator, the Office also has specific duties and functions outlined in each Sectoral Law which influence the Annual Plan.

6. In the electricity sector, the powers and functions of the Office are set out at section 9 the ESR Law.
7. The Office's powers and functions in the ICT sector are set out at section 9 of the ICT Law. The Office also has enforcement functions in the ICT sector under the Electronic Transactions Law (2003 Revision).
8. The Office's duties and functions in the fuel sector are governed by section 5 of the FSR Law. Sections 6 and 7 of the DS Law also set out some of the duties and functions of the Office's Board of Directors applicable to the fuel sector and section 15 of the same Law also outlines the duties and functions of the Office's Chief Fuels Inspector.
9. In the water sector, the Office's principal duties and functions are prescribed at section 3 of the WSR Law. A number of other duties and functions are prescribed by various provisions in the Water (Production and Supply) Law (as revised) and the Wastewater Collection and Treatment Law (as revised).

## Government Policy

10. While the Sectoral Laws provide a framework for the activities and priorities for the Office, each of the Sectoral Laws make explicit provisions for the Office to implement Government's Policy as provided in writing, and the Office is mindful that the Government may issue policy directives of a general or specific nature from time to time.
11. In this regard, the Government issued its *National Energy Policy 2017-2037* ("NEP")<sup>2</sup> in January 2017 which provides clear directions as to the Office's priorities, including but not limited to the electricity, fuels and water sectors.

## Government Priorities for 2020-2021

12. Other than the NEP, the Government has not issued formal sector policies at this time. However, the Office has taken into account the following key government priorities for 2020-2021:
13. The Government's 2020 Strategic Policy Statement<sup>3</sup> outlines Government's priorities for the financial years 2020 to December 2021.

<sup>2</sup> <http://www.gov.ky/portal/pls/portal/docs/1/12374582.PDF>

<sup>3</sup> CIG Strategic Policy Statement. <http://www.gov.ky/portal/pls/portal/docs/1/12780581.PDF>

1. A Strong Economy to Help Families and Businesses
  2. Achieving Full Employment –Jobs for All Caymanians
  3. The Best Education Opportunities for All Our Children
  4. Reducing Crime and the Fear of Crime
  5. Access to Quality, Affordable Healthcare
  6. Stronger Communities and Support for the Most Vulnerable
  7. Ensuring Caymanians Benefit from a Healthy Environment
  8. Stable, Effective and Accountable Government
14. Accordingly, the Office has identified a number of objectives in each of the sectors, which, along with its 2018-2022 Strategic Plan, support Government's 2020-2021 priorities.
15. Specifically, the Office's objectives in accordance with the general statutory functions as set out in the Law and other sector laws, will support:
- Achieving full employment for Caymanians;
  - Growing a strong economy to help families and businesses;
  - Reducing crime and the fear of crime;
  - Ensuring Caymanians benefit from a healthy environment; and
  - Stable, Effective and Accountable Government.
16. In addition, a specific action tasked to the Office by Cabinet under section 5(2)(h) of the FMR Law is to review the price competitiveness of the fuel sector. The intent of this task is to commence taking the necessary steps to ensure fair pricing in the event a market is found not to be competitive, thereby ensuring a better standard of living for all in the Cayman Islands. Accordingly, the Office is undertaking economic assessments for implementing the necessary mechanism to give effect to the foregoing.

## C. Overview of Activities 2019

During 2019 the Office successfully executed several projects embarked on by the sectoral teams in our last plan. However, we continue to face similar challenges and potential risks inherent in our legacy systems and methods of executing our work. None the less, the Office continues to review and revise legislation and regulations to ensure currency, thereby minimising risks and conflicts.

Given the extent of the recruitment process for the CEO in 2018 and 2019, the three Executive Directors, Gregg Anderson, Duke Munroe and Alee, Fa'amoe acted in the post on a rotational basis, until mid-September when the new CEO, Malike Cummings was onboarded. The CEO brings ten years utility regulatory experience and will continue to build on the work in progress, including

implementing systems for improved governance and operational efficiency and effectiveness.

The following major activities were accomplished during the Office's 2019 financial year:

## 17. Electricity

- a. The Office issued Consultation Papers on Regulatory Accounting Rules (RARs) and also a Renewable Energy Auction Scheme (REAS). The Regulatory Accounting Rules being proposed will require Electricity Licensees to produce and submit separate accounts for each of their generation, transmission and distribution and supply activities. These accounts are to be independently verified to avoid discrimination, cross-subsidisation and distortion of competition. The Office is consulting on the competitive bidding rules for the provision of Renewable Sources of Energy to the grid. The adoption of the REAS is intended to provide the best price per Kilowatt Hour (kWh) to be paid for electricity generated from Renewables and sold to Caribbean Utilities Company, Ltd (CUC).

Successful implementation of the REAS will translate into lower electricity costs for consumers, and also assist with meeting the Government's National Energy Policy aspirational goals of having 70% of energy generated from renewables by 2037.

- b. During 2019 the Office awarded new Generation and Transmission & Distribution licences to Cayman Brac Power and Light Co. Ltd (CBP&L) the sole producer of electricity in Cayman Brac and Little Cayman. CBP&L's previous licence expired on December 31, 2018. The Generation licence is non-exclusive and therefore allows competition in this space, and CBP&L can now obtain or produce electricity from other sources besides fossil fuel which it was restricted from doing under its old licence.
- c. 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 by 12MW.
- d. During 2019, the Office requested CUC institute a real-time outage reporting system that alerts OfReg to both planned and unplanned outages. This system enables OfReg to view the status of CUC's operations and monitor its compliance with its agreed performance standards.

- e. As OfReg is mandated to identify and protect critical national infrastructure (CNI), meetings were held with CUC during the year to achieve this objective. It is envisaged that further meetings will be held in 2020 to finalise and develop the framework for CNI security.

## 18. Fuels Sector

- a. Following a rigorous procurement exercise, the Fuels team commenced the Fuels Market Definition and Assessment exercise to intended to strengthen the framework for robust and effective regulation of the sector;
- b. The LPG Anticompetitive Investigation was progressed to substantial completion and pending enforcement and implementation of interim market rules as necessary to maximise competition;
- c. The LPG tank Incident was successfully investigated and the team commenced enforcement action against the Operator;
- d. The fuels team completed and consulted on the draft Consumer Protection Regulations for the Fuel Sector;
- e. Executed random Fuel Quality testing at seven sites across all three Islands;
- f. The team supported the accomplishment of a successful mock Audit as part of Cayman Islands compliance with IMO III Code requirements. Significant efforts to this project will be continued by the team in preparation for full Audit in 2020;
- g. Initiated Fuel Release Investigation at Rubis Jackson Point Terminal
- h. Work on the National Fuel Quality Standards was progressed in the areas of establishment of the technical sub-committee and appointment of membership;
- i. Oversaw the upgrade/completion of five key fuel facilities for safety and code compliance including the recommissioning of SOL Tank #8 and CUC Tank #5;
- j. Coordinated the first LPG Forum aimed at collaborating and addressing LPG as a continuing fuel in the Fuel mix, along with other operational and safety concerns around its use and installation.
- k. Continued meter calibration at bulk terminals, retail facilities and other fuel dispensing sites.
- l. Initiated a collaborative forum with Cayman Islands Fire Service on mutual area of interest including inspections, cross training of team members, and enhancing compliance at Dangerous Substances sites.
- m. The Office initiated a draft fuel licensing framework.
- n. The team also granted approval importation of biodiesel for continual expansion of fuel mix especially in the area of renewable fuels

## 19. ICT Sector

- a. The team prepared Consumer Protection Regulations (ICT Sector), which will be published and brought into force in 2020;
- b. Extended licences for two major ICT Licensees;
- c. Cybersecurity - the team:
  - i. Advised core Government on cybersecurity matters;
  - ii. Represented Cayman at Council of Europe Caribbean outreach meeting. <sup>4</sup>
  - iii. Provided the National Security Council with recommended course of action to combat cyber-crime.
  - iv. Established a Cyber Crime Working Group to study the various laws in the Cayman Islands to combat cyber-crime.
- d. Published updated and revised Regulatory Notice under Section 23 (2) of the ICT Law.
- e. Commenced initiatives in relation to the ICT Critical national Infrastructure (CNI) Strategy -
  - i) Issued a Request for Information to relevant Licensees in relation to all ICT Ducts;
  - ii) Prepared a Memorandum of Understanding with Department of Planning regarding the facilitation of monitoring excavation requests; and
  - iii) Issued a directive to all Telecommunications Licensees regarding communication with the Office in relation to infrastructure sharing requests;
- f. Prepared proposed DNSSEC (Domain Name System Security Extensions) Regulations;
- g. Commenced of implementation of an Emergency Notification System ("ENS")<sup>5</sup> physical and logical security, rollout, local operator resiliency and capacity and control –
  - i) Published a Discussion Paper; and
  - ii) Deployed several channels including the FM Radio Emergency interrupt System using EAS Standards;
  - iii) Assisted HMCI and HE Governor's Office to develop and issue an RFP for a new messaging platform for HMCI.
- h. Published new ICT Outage Reporting Rules requiring service providers to advise the Office of all major outages, and to provide actions they will take to avoid similar outages in the future. <sup>6</sup>

<sup>4</sup> See <https://www.coe.int/en/web/cybercrime/glacypplus>

<sup>5</sup> See 2018 OfReg Discussion Paper "Proposed Emergency Notification System (ENS" at <https://www.ofreg.ky/upimages/commonfiles/152035984620180223ENSDiscussionPaperVer0-2pdf>

<sup>6</sup> See ICT 2019 – 1-Rule 1. "ICT Outage Reporting Rules" [https://www.ofreg.ky/upimages/publication/ICT2019-1-Rule OfRegOutageReportingRules\\_1568742075.pdf](https://www.ofreg.ky/upimages/publication/ICT2019-1-Rule%20OfRegOutageReportingRules_1568742075.pdf)

- i. Launched "Cayman Connected"<sup>7</sup> and Cayman Protected"<sup>8</sup>. Informational Marketing Campaigns via social media, as a part of the Office's public outreach development initiatives, in order to educate consumers on ICT related issues;
- j. Published consultation on pole attachment reservation fees.<sup>9</sup>
- k. Published consultation on final Consumer Protection Regulations.<sup>10</sup>
- l. Published consultation on new ICT licensing framework.<sup>11</sup>
- m. Published revised ICTA (Interception of Telecommunication Messages) Regulations (2018 Revision);
- n. Commenced facilitation of Subsea cable connectivity by establishing;
  - i) Agreement with the Department of Environment on preferred cable landing sites
  - ii) Agreement with the Department of Planning regarding issuance of permits.

## 20. Water Sector

- a. The lack of funding for the water sector has impeded the Office's ability to acquire and deploy the resources necessary to properly regulate the sector. Although several attempts have been made to resolve the funding issue, little progress was made in 2019. This resource-constrained situation should not be allowed to continue as it affects the Office's independence, the operational efficiency of the entire Energy and Utilities sector. Negotiations on this matter are ongoing.
- b. During 2019 advancements were made in progressing negotiations with CWC for the grant of a new Water Producers and Supply Licence. The licence extension expired on January 31, 2018, and negotiations are ongoing.
- c. The Office also issued the Water Sector (Licence, Fee, and Penalty) Regulations to Cabinet for its approval. These Regulations when enacted will complete the regulatory framework and establish the funding mechanism for the Water Sector and thus enable OfReg to effectively execute its regulatory activities for water service providers and water operators.

<sup>7</sup> See <https://caymanconnected.ky>

<sup>8</sup> See <https://caymanprotected.ky>

<sup>9</sup> See <https://www.ofreg.ky/ict-2019-2-consultation-pole-attachment-reservation-fees>

<sup>10</sup> See <https://www.ofreg.ky/ict-2019-3-consultation-on-proposed-consumer-protection-regulations>

<sup>11</sup> See <https://www.ofreg.ky/ict-2019-1-consultation>



## D. 2020 Sectorial Goals, Objectives and Priorities

### Electricity Sector Goals

The Office's role in the sector includes providing policy advice to the government, enabling development of the sector via competition and innovation, and ensuring that returns to investors are fair and prices to customers are reasonable, and to ensure the provision of efficient, sustainable and quality service to consumers throughout the islands. Goals for the Electricity Sector are mainly process driven and a continuation of the evolution, implementation and monitoring of the licensing regime which include:

1. Processing of electricity licence applications including amendments issuances, grants in accordance with the application process.
2. Compliance and enforcement.

The Office will continue to utilise appropriate benchmarking and robust monitoring of utilities, and taking appropriate and swift enforcement action to reprimand licensees when they breach their licence obligations to minimize degradation of service provisions to consumers.

The Office will also focus on a range of work areas, (some of which will require the issuance of various Administrative and General Determinations, generally one for each area), relating to the following:

- a) Accounting separation;
- b) Consumer Protection Regulations;
- c) Renewable Energy Auction Scheme (REAS);
- d) Update of the Integrated Resource Plan (IRP); and
- e) Enablement of Government's National Energy Policy (NEP) objectives.

The energy landscape is evolving into one that is less carbon intensive, more decentralised, flexible, dynamic and responsive. Therefore, OfReg's aim is to facilitate this evolution to the benefit of consumers and the economy as a whole.

Additionally, the Office will provide policy recommendations to the Cabinet following consultation and communications with industry stakeholders and consumers on matters of public interest and matters that may affect sectoral utilities.

## Electricity Sector

21. The following are the electricity sector priorities for 2020-2021:
  - a. Identify and make recommendations where necessary to improve existing legislation, regulation and/or regulatory policy (ongoing);
  - b. Determine strategies to guide resource development as proposed in the approved CUC 10-year IRP for Grand Cayman (2020);
  - c. Design and implement the regulatory frameworks to support and give effect to the strategies of the NEP (2020);
  - d. Facilitate and adopt energy efficiency and demand side management programmes (ongoing);
  - e. Promote new and innovative technologies in renewable and alternative energy (ongoing);
  - f. Leverage advances in technology in the international electricity sector to advance the NEP initiatives and stimulate economic development (ongoing);
  - g. Work towards achieving fair pricing for reliable electricity service on each of the Islands (ongoing);
  - h. Implement the NEP electricity strategies (ongoing); and
  - i. Ensure timely approval of "*Certificate of Need*" for additional capacity on Grand Cayman, and similar interventions for Cayman Brac and/or Little Cayman (as provided in the respective licences) (2020-2021);



**Table 1: Electricity Sector Goals, Outcomes and KPIs**

<b>Strategic Goals: Innovation and Delivery of utility services at least cost.</b>			
<b>Regulation</b>	<b>Goal No. 30.1</b>		
<b>Service Activity/Key Objective</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	<b>Outcomes</b>
Regularly review internationally recognised regulatory practices to document and implement best regulatory practices.	<ul style="list-style-type: none"> <li>• Development of a Technical Knowledge Library.</li> <li>• Update of the 20-year Integrated Resource Plan (IRP).</li> <li>• Regulation of the activities of Licensees' undertakings to ensure they are operating safely and within their licence requirements.</li> <li>• Development of our team to ensure their skills continue to deliver best practice and quality at all levels.</li> <li>• Conduct Regulatory Impact Assessments (RIAs) on decisions that affect stakeholders.</li> <li>• OfReg will continue to engage with other regulators to ensure its regulatory model attains/remains best practice.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop Technical Knowledge Library by end of Q2.</li> <li>• Completed and published consultation paper on the requirement for and approval of IRPs by the Office, and issuance of RFP for review/update of existing IRP by mid Q4.</li> <li>• Completed review of monitoring and reporting obligations of Licensees' activities by end of Q3.</li> <li>• Staff attend/trained on best regulatory practices by end of Q4.</li> <li>• Completed RIAs by end of Q4.</li> <li>• Finalised and implemented compliance and enforcement tools by mid Q3.</li> </ul>	Stable, effective and accountable Government.
<b>Licensing</b>	<b>Goal No. 38.6</b>		
<b>Service Activity/Key Objective</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	<b>Outcomes</b>



<p>The issuance and/or review of Electricity and Generation Licences.</p>	<ul style="list-style-type: none"> <li>• Updated licence application form and process/issue all eligible applications for Electricity Generation Licences to Independent Power Producers (IPPs).</li> <li>• Conduct 5-year review of CUC's Generation and Transmission &amp; Distribution (T&amp;D) Licence Rate Cap Adjustment Mechanism (RCAM) and negotiate amendments as necessary to deliver the least possible cost electricity to consumers.</li> <li>• Ensure timely review of "Certificate of Need" for additional capacity on Grand Cayman, and similar interventions for Cayman Brac and/or Little Cayman (as provided in the respective licences) (2018-2022)</li> </ul>	<ul style="list-style-type: none"> <li>• 100% of eligible applications completed.</li> <li>• 5-year review of CUC's licences and Rate Cap Adjustment Mechanism (RCAM) completed by end of Q3.</li> <li>• Grid capacity deployments executed in compliance with Licensees' licences.</li> </ul>	<p>Stable, effective and accountable Government.</p>
<p><b>Compliance</b></p>			
<p><b>Service Activity/Key Objective</b></p>	<p><b>Outputs</b></p>	<p><b>Key Performance Indicators</b></p>	
<p>Receive/review and collate annual compliance data from Licensees.</p> <p>Ensure networks are benchmarked internationally to drive efficiency gains.</p>	<ul style="list-style-type: none"> <li>• Implement Accounts Separation Rules for the electricity sector that require submission of Regulatory Accounts that are transparent, cost-based and non-discriminatory. The disclosure of financial information will help new entrants to effectively compete on a 'level playing field' for electricity generation licences in</li> </ul>	<ul style="list-style-type: none"> <li>• Completed and published determination on Regulatory Accounting Rules (RARs) by end of Q3.</li> <li>• Completed review of authorised Capital Investment Plan (CIP) projects. Establishment of a 'fit for purpose' framework for indicating</li> </ul>	<p>Growing a strong economy to help families and businesses</p>



	<p>an electricity market that is more competitive.</p> <ul style="list-style-type: none"> <li>• Implementation of ex-post reviews of CUC's 5-year Capital Investment Plan (CIP) projects.</li> <li>• Review of CUC's Customer Satisfaction Survey (CSS).</li> <li>• Fairness and transparency for consumers via enhanced monitoring and enforcement of Licensees' activities.</li> <li>• Investigation and prosecution of Licensees who break the law.</li> </ul>	<p>projects' results by mid Q4.</p> <ul style="list-style-type: none"> <li>• Key trends recorded in annual review of CUC's Customer Satisfaction Survey by end of Q3.</li> <li>• Take enforcement action under the URC Law and/or ESR Law as necessary to improve compliance.</li> <li>• All reports of illegal activity relevant to regulation of Licensees investigated by end of Q4.</li> </ul>	
<b>National Energy Policy</b>	<b>Goal Nos. 30.1 &amp; 38.4</b>		
<b>Service Activity/Key Objective</b>	<b>Outputs</b>		<b>Outcomes</b>
<p>Progress and implement the regulatory frameworks to support and give effect to the NEP electricity strategies especially the adoption of renewable energy (RE) sources, energy efficiency, and demand management.</p>	<ul style="list-style-type: none"> <li>• Develop mechanisms that will treat flexible conventional generation, facilitation and adoption of energy efficiency and demand side management programmes that helps consumers lower their energy bills while delivering government renewable energy targets.</li> <li>• Implement a Renewable Energy Auction Scheme (REAS) that will increase generation from renewable energy (RE) sources, reduce greenhouse gas emissions and lower the overall cost of electricity to consumers.</li> <li>• Remove barriers to other forms of generating technologies that can improve competition, contribute to reliability and</li> </ul>	<ul style="list-style-type: none"> <li>• Completed and published determination, and implementation of the Renewable Energy Auction Scheme (REAS) in Q3 2020.</li> <li>• Issued Request for Proposals (RFPs) for the supply of renewable and/or alternate energy supplies Q3.</li> <li>• Conducted cost analysis, provided advice, and monitored the procurement and negotiation of Independent Power Producers (IPPs) and construction processes.</li> </ul>	<p>Growing a strong economy to help families and businesses;</p>



	potentially improve the operational efficiency of the electricity sector.	<ul style="list-style-type: none"> <li>Publish consultation on Energy Storage Systems (ESSs) Q4.</li> </ul>	
<b>Consumer Protection</b>	<b>Goal No. 38.6</b>		
<b>Service Activity/Key Objective</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	<b>Outcomes</b>
Promote consumer protection	<ul style="list-style-type: none"> <li>Publish consultation paper and determination in relation to Consumer Protection Regulations (Energy and Utilities Sectors).</li> <li>Monitor customer performance indicators to incentivise increased customer satisfaction amongst electricity consumers.</li> </ul>	<ul style="list-style-type: none"> <li>Completed and published consultation on Consumer Protection Regulations by Q3.</li> </ul>	Stable, effective and accountable Government.
<b>Critical National Infrastructure</b>	<b>Goal No. 30.2</b>		
<b>Service Activity/Key Objective</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	<b>Outcomes</b>
Promote, Support, Maintain, and Secure Critical National Infrastructure by working with Licensees and National Security agencies to identify, implement and monitor plans and protocols to minimise the effects of emergency events on electricity consumers.	<ul style="list-style-type: none"> <li>Implement measures to ensure reliable, resilient and adaptable infrastructure that has robust appropriate measures to minimise disruption of supply in the event of unexpected adverse events.</li> <li>Ensure Licensees have functional and proven Business Continuity Plans (BCPs).</li> </ul>	<ul style="list-style-type: none"> <li>Continue ongoing initiatives to ensure protection of CNI with licensees.</li> <li>Held meetings with Licensees, CSIRT and other stakeholders and issued CNI guidelines by Q3 2020.</li> <li>Licensees submitted independently verified Business Continuity Plans (BCPs) by Q3.</li> </ul>	Stable, effective and accountable Government.
<b>Innovation</b>	<b>Goal Nos. 30.3 &amp; 30.4</b>		
<b>Service Activity/Key Objective</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	<b>Outcomes</b>



<p>Where appropriate, provide incentives to stimulate efficient innovation, both through network reviews as well as increased emphasis on areas such as demand-side measures. This process of continual innovation should provide a wider range of choice for consumers as well as driving down prices of existing services.</p>	<ul style="list-style-type: none"><li>• Incentivise deployment of new and innovative technologies in renewable and alternative energy sources to diversify the energy supply mix beyond what currently exists to reduce the country's dependence on fossil fuels (ongoing).</li><li>• Implementation of Electric Vehicles (EVs) charging infrastructure.</li></ul>	<ul style="list-style-type: none"><li>• Addressed existing regulatory matters relating to existing licensing, connection and charging policies by Q4.</li><li>• Completed and published consultation on implementation of Electric Vehicles (EVs) charging infrastructure by Q4.</li></ul>	<p>Growing a strong economy to help families and businesses</p>
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## Fuels Sector Goals

22. The following are the Office's objectives for the fuels sector in 2020:

The overarching objective of the Office is to complete the fuels market definition and assessment to recommend and implement intervention measures for efficient and sustained competition in the Fuels market.

Critical to the accomplishment of the goals and objectives, the Office will enhance the fuel's team capability and manpower needs to build competency, ensure succession planning, and effectively deliver programs to satisfy the mandate of the department. This objective will also place heavy emphasis on training, development and knowledge transfer to ensure the team's effort and focus remain relevant;

As a supplement to the High-Level objectives outlined in Table 2, the following are some supporting objectives of the key activities in the fuel sector:

- a. Implement the recommendations and findings arising from the Propane Market Anticompetitive investigation;
- b. In collaboration with the CAPE (Consumer Affairs and Public Education) Manager, the Office will promote public safety and increase education and awareness of sector participants and members of the public on the handling and storage of dangerous substances, as well as the economic operations of the sector.
- c. With the aim to improve standards, the Office will progress the work of the Fuels Standard Committee for establishment and full implementation of National Fuel Quality standards.
- d. Continue to identify and make recommendations as necessary for new and or improvements to existing legislation, regulation and/or regulatory policy, to maintain regulatory relevance;
- e. Continue to identify and evaluate processes and procedures to transition to an online environment via web-based applications;
- f. Keep under review, options for bulk import infrastructure improvement or enhancements, contingent on discussions and outcomes regarding port redevelopment;
- g. Keep under review, along with capability assessment, the enforcement provisions of the Dangerous Substances Law in the marine environment (fuel transfers and trade in Cayman's Territorial Waters);
- h. Enhance the Fuel Sector Technical Codes, Standards and Policy Manuals to strengthen the fuel sector regulatory regime.
- i. Continue quarterly industry engagement meetings with key sectoral participants, manage action plans and tasks to verify and validate progress toward consideration of self-regulation;



- j. Explore and implement measures for renewed focus on permit and code compliance across the industry, to improve previous years' compliance statistics. The objective is closely aligned with efforts at enhancing our Public Relations, safety and public awareness in the sector. Emphasis will be placed on compliance with the API and ASME Codes and Standards;
  - k. Collaborate with CIAA on bringing to closure, the current 'Into-Plane' arrangement of Aviation Refuellers (progress the installation of Aviation Fuel Farm);
  - l. Execute all Capital Projects within the allotted timeframe and within budget. The procurement of a Fuel Trailer will be prioritized;
  - m. Continue discussion with FSC (Fuels Standards Committee) and other Government Agencies on local fuel testing capability.
  - n. Continue to progress the work and address concerns of LPG/Propane Stakeholders as part of a national dialogue on increased propane penetration and utilisation in the market;
  - o. Fully Establish an ISO Tank Container database and registry, and validate a certification program for this category of equipment;
  - p. Keep under review and advance discussions on optimization of key fuel sector infrastructure like the Import pipeline and Rubis Cayman Brac Terminal Optimization;
  - q. Initiate and implement the phased rollout of Industry Certification Programme for persons performing work in the sector related to safety, compliance and technical certification programs;
  - r. Continue to support efforts towards Cayman Islands III Code compliance as a member of the National Maritime Strategy Working Group member in the area of Fuels.
23. The following rolling fuels sector priorities for 2020 – 2021 are:
- a. Continue to review and recommend intervention measures for efficient and sustained competition in the Fuels market;
  - b. Implement initiatives arising from ongoing fuels discussion papers;
  - c. Continue to enhance fuel testing capabilities locally;
  - d. Review and implement where feasible, self and co-regulation of certain segments of the market;
  - e. Identify and recommend possible 'sunset' provisions under various fuel sector legislation;
  - f. Continue to review and update consumer protection regulations for licensees/sector;
  - g. Build internal and sector capability and competence on fuel compliance and economic regulation matters.

**Table 2: Fuels Sector Goals, Outcomes and KPIs**

<b>Strategic Goals:</b> Design and implement regulatory measures, if necessary, to facilitate the development of a vibrant competitive fuels market				
<b>Regulation – Goal No. 32.1</b>				
<b>Service Objective</b>	<b>Activity/Key</b>	<b>Output</b>	<b>Key Performance Indicators</b>	<b>Broad &amp; Supporting Outcome</b>
Complete the Fuel Market Definition and Assessment		<ul style="list-style-type: none"> <li>Define the relevant markets in the Fuel Sector and confirm state of competition to inform and implement where feasibly, the necessary intervention measures</li> </ul>	<ul style="list-style-type: none"> <li>Consultant report on Fuel Market Assessment after full consultation by mid Q3 2020</li> </ul>	<ul style="list-style-type: none"> <li>Stable, Effective and Accountable Government</li> <li>A Strong Economy to help Families and Business</li> <li><i>Intervene if necessary, to improve the competitiveness of markets starting with fuel</i></li> </ul>
<b>Licensing. Goal No. 32.5</b>				
<b>Service Objective</b>	<b>Activity/Key</b>	<b>Output</b>	<b>Key Performance Indicators</b>	
Finalise the regulatory framework and implement licensing regime for key/major sectoral participants		<ul style="list-style-type: none"> <li>Draft License Agreement for key/Major Licensees</li> </ul>	<ul style="list-style-type: none"> <li>Draft Licensee Agreement with Licensees by start Q4 2020</li> </ul>	<ul style="list-style-type: none"> <li>Stable, Effective and Accountable Government</li> <li>A Strong Economy to help Families and Business</li> </ul>
<b>Compliance Goal No. 32.5</b>				
<b>Service Objective</b>	<b>Activity/Key</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	
Carry out Inspections, Calibration, Planning reviews, statutory consultee, and enforcements on all sites, vehicles or project subject to Dangerous Substances Law		<ul style="list-style-type: none"> <li>Ensure all relevant Dangerous Substances Site are in compliance with the Law</li> <li>Fuel Price Reports and Posting of pump pricing to the public</li> </ul>	<ul style="list-style-type: none"> <li>Complete target output set out in Purchase &amp; Sale and Ownership Agreement by set timeline</li> <li>Publication of Fortnightly price report with analysis</li> </ul>	<ul style="list-style-type: none"> <li>Stable, Effective and Accountable Government</li> </ul>



Monitor and supervise prices in the Fuel sector subject to Fuel Market Regulation Law			
<b>National Energy Policy</b>	<b>Goal No. 32.3</b>		
<b>Service Objective</b>	<b>Activity/Key</b>	<b>Output</b>	
Support implementation of NEP Objectives in collaboration with Energy Policy Council	<ul style="list-style-type: none"> <li>Sector fuel matrix to reflect revised and transitional targets in harmony with broader energy goal for 2020</li> </ul>	<ul style="list-style-type: none"> <li>Accomplishment of set activities per NEP Goals in 2020 (refer to NEP document)</li> </ul>	<ul style="list-style-type: none"> <li>Stable, Effective and Accountable Government</li> <li>A Strong Economy to help Families and Business</li> </ul>
<b>Consumer Protection</b>	<b>Goal No. 32.1, 32.5 and 44.1</b>		
<b>Service Objective</b>	<b>Activity/Key</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>
Promote consumer protection	<ul style="list-style-type: none"> <li>Submit Draft Consumer Protection Regulations (CPR) to Cabinet for enactment/implementation.</li> <li>Publish CPR subject to Cabinet Approval and host Townhall or Radio/Television Program to educate on CPR</li> <li>Ensure customers issues requiring Office's intervention are effectively monitored, managed and resolved.</li> </ul>	<ul style="list-style-type: none"> <li>Submit CPR to Cabinet by mid Q3</li> <li>Publish CPR during Q4 2020 and hold Townhall or live discussion within 3 weeks of gazettal/publication.</li> <li>Issues resolved within statutory or agreed time frame (per complaints/Customer tracking system)</li> </ul>	<ul style="list-style-type: none"> <li>Stable, Effective and Accountable Government</li> <li>A Strong Economy to help Families and Business</li> </ul>
<b>Critical Infrastructure</b>	<b>National</b>	<b>Goal No. 32.2</b>	
<b>Service Objective</b>	<b>Activity/Key</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>



<p>Promote, Support, Maintain, and Secure Critical National Infrastructure by working with Licensees and related stakeholders to identify, implement and monitor plans and protocols to minimise the effects of sector activity and reliability on consumers.</p>	<ul style="list-style-type: none"> <li>Evaluate and report on the adequacy, protection in place, and sustainability of existing fuel and fuel related infrastructure to ensure equal, efficient and economic access by players in the market.</li> <li>Ensure accurate and reliable data to support Clickbb4U dig and other similar initiatives and platform for ongoing availability of affordable, environmentally friendly and sustainable supply of fuel to all three Islands</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure Status report completed by Q4 2020</li> <li>Review CNI guidelines to ensure efficacy and alignment with Business Continuity Plans of Licensees by Q4 2020.</li> </ul>	<ul style="list-style-type: none"> <li>Stable, Effective and Accountable Government</li> </ul>
<p><b>Innovation</b></p>	<p><b>Goal No. 32.1 and 32.4</b></p>		
<p><b>Service Objective</b></p>	<p><b>Activity/Key Output</b></p>	<p><b>Key Performance Indicators</b></p>	
<p>Continue to facilitate innovation where practical, in fuel import, storage, supply and fuel type/diversity to ensure a relevant fuel sector and market.</p>	<ul style="list-style-type: none"> <li>Facilitate at least one key innovation initiative in the fuel sector aimed at diversifying and/or strengthening fuel sustainability in the medium to long term</li> </ul>	<ul style="list-style-type: none"> <li>Promote and publish innovation initiative by end Q3 2020</li> </ul>	<ul style="list-style-type: none"> <li>Stable, Effective and Accountable Government</li> <li>A Strong Economy to help Families and Business</li> </ul>

## ICT Sector Goals

24. The following are the Office's objectives for regulating the ICT sector in 2020:
- a. Promote Consumer Protection Regulations (ICT Sector);
  - b. Promote ICT Consumer Complaints Process;
  - c. Identify and align the Office with the relevant protocols and obligations of the International Telecommunication Union ("*ITU*") and other international regulatory obligations and practices (ongoing);
  - d. Proactively build relationships with the industry (ongoing);
  - e. Develop broadband quality of service (QOS) standards;
  - f. Continue to codify and publish all ICT regulatory processes;
  - g. Promote the Emergency Notification System ('ENS') physical and logical security, rollout, local operator resiliency and capacity and control;<sup>12</sup>
  - h. Develop and promote ICT Infrastructure Protection programmes;
  - i. Identify and make recommendations where necessary for new and/or improvement to existing legislation, regulation and/or regulatory policy (ongoing);
  - j. Develop the reliability and robustness programmes for ICT
  - k. Develop national cybersecurity programmes
  - l. Promote submarine cable investments (ongoing)
  - m. Promote KY Domain registration programmes to grow the industry;
  - n. RE-license all CSPs<sup>13</sup> and FM radio broadcasters under the new licensing framework;
  - o. Promote the Regulatory Sandbox;
  - p. Prepare for 5G Licensing; and
  - q. Document investigation and enforcement procedures and processes;
25. The following are ICT sector priorities for 2020-2021:
- a. Start and complete licence negotiations for licenses expiring in 2020 and 2021;
  - b. Promote consumer protection;
  - c. Promote a regulatory environment that enables consumers to have a choice of services and service providers, no matter where they live in the Cayman Islands.
  - d. Ensure licensee compliance with ICT rules, regulations, standards, and license obligations under the relevant laws.

<sup>12</sup> See 2018 OfReg ICT Discussion Paper "Proposed Emergency Notification System (ENS)" at <https://www.ofreg.ky/upimages/commonfiles/152035984620180223ENSDiscussionPaperVer0-2.pdf>

<sup>13</sup> Communications Service Providers (traditional telecommunications service providers or 'phone companies')

- e. To promote innovation, research and development and aim to establish public-private partnerships with large companies to increase the attractiveness of the jurisdiction's positioning as a centre of ICT excellence (ongoing);
- f. Identify and make recommendations where necessary for new and/or improvement to existing legislation, regulation and/or regulatory policy (ongoing);
- g. Continue CIRT-KY phased development and service offerings (2020);
- h. Facilitate Subsea cable connectivity (2020);
- i. Develop industry working groups towards managing the expectations of these sectors against the background of the Office's regulatory and development direction (2020); and
- j. Ensure protection of CNI (ongoing).

**Table 3: ICT Sector Objectives, Outcomes and KPIs**

<b>Strategic Goal: ICT Consumer Protection</b>			
<b>Goal No. 31.5, 31.2 and 44.1</b>			
<b>Service Activity/Key Objective</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	<b>Outcomes</b>
Consumer protection.	<ul style="list-style-type: none"> <li>Promote Consumer Protection Regulations (ICT Sector);</li> <li>Promote ICT Consumer Complaints Process;</li> <li>Develop broadband quality of service (QOS) standards;</li> <li>Enhanced Public Safety</li> </ul>	<ul style="list-style-type: none"> <li>Publish Consumer Protection Regulations – Q3</li> <li>Promote Consumer Protection Regulations via media and corporate communications – Q3 &amp; Q4</li> <li>Publish broadband QOS standards – Q4</li> <li>Develop Road Safety Programme – Q4</li> <li>Work with HMCI to develop Emergency Notification System (ENS) - ongoing</li> </ul>	Stronger Communities and Support for the Most Vulnerable
<b>Strategic Protect ICT Infrastructure</b>	<b>Goal No. 31.4</b>		
<b>Service Activity/Key Objective</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	
Protect critical national ICT infrastructure	<ul style="list-style-type: none"> <li>Programmes to protect ICT infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Develop &amp; promote ClickB4UDig Programme – Q4</li> <li>Develop national cybersecurity programmes – Q4</li> </ul>	A Strong Economy to Help Families and Businesses
<b>Strategic Goal: Promote ICT Innovation. Goal No. 31.2</b>			
<b>Service Activity/Key Objective</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	
Promote Innovation in the ICT sector.	<ul style="list-style-type: none"> <li>Promote KY Domain registration programmes to grow the industry;</li> <li>Promote the use of experimental licenses to foster innovation in the ICT sector.</li> <li>Promote more efficient online transactions.</li> </ul>	<ul style="list-style-type: none"> <li>Renew KY Domain management contract – Q4</li> <li>Promote KY domain registration – Q4</li> <li>Promote the Regulatory Sandbox; - Q3</li> <li>Prepare for 5G Licensing; – Q4</li> <li>Propose updates to the Electronic Transactions Law – Q4</li> <li>Promote and raise awareness of the ETL. – Q4</li> <li>Promote submarine cable investments - ongoing</li> </ul>	A Strong Economy to Help Families and Businesses

## Water Sector

The Office's role in this sector is similar to that of the electricity sector and includes regulatory oversight for the provision of potable water, wastewater and sewerage treatment. The absence of a comprehensive regulatory framework continues to be a major challenge for the optimal regulation of the sector. Nevertheless, opportunities exist herein for additional investment, efficiency improvements, increased service standards and quality improvements for the delivery of service to customers.

The Office will pursue initiatives to address the need for comprehensive sector legislation that enhances the regulatory framework for the sector, going forward. Accordingly, the Office will revise and reissue its determination on the Water Sector (Licence, Fee, and Penalty) Regulations to develop and improve the sector's regulatory framework and enhance oversight.

Following enactment of these Regulations, the Office will continue with the process driven activities of licensing, compliance and enforcement, and focus on the work areas specified in the table of goals below.

Furthermore, in response to ongoing licence negotiations with Cayman Water Company Ltd. (CWC), and its general regulatory mandate, the Office deems it necessary to perform a comprehensive Cost of Service Study (COSS) on both CWC and the Water Authority Cayman (WAC) to determine the entities' overall efficiency in relation to their respective operations and to ensure these utilities provide service at the most efficient cost. Consumers should therefore pay the least possible cost for water and wastewater services.



## Water Sector Goals

**Table 4: Water Sector Objectives, Outcomes and KPIs**

<b>Strategic Goals: Innovation and Delivery of utility services at least cost.</b>				
<b>Regulation</b>		<b>Goal No. 41</b>		
<b>Service Objective</b>	<b>Activity/Key</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	<b>Outcomes</b>
Regularly reviewing regulatory practice to document and implement best regulatory practice		<ul style="list-style-type: none"> <li>Regulate the activities of Licensees' undertaking to ensure they are operating safely and within their licence requirements.</li> <li>Develop our team to ensure their skills continue to deliver best practice and quality at all levels.</li> <li>Conduct Regulatory Impact Assessments (RIAs) on decisions that affect stakeholders.</li> <li>OfReg will continue to engage with other regulators to ensure its regulatory model attains/remains best practice.</li> <li>Review and determination of the regulatory framework for the provision of water to fire hydrants and emergency services by water licensees.</li> </ul>	<ul style="list-style-type: none"> <li>Completed review of monitoring and reporting obligations of Licensees' activities by end of Q3.</li> <li>Staff attend/trained on best regulatory practices by end of Q4.</li> <li>Completed RIAs by end of Q4.</li> <li>Finalised and implemented compliance and enforcement tools by mid Q3.</li> <li>Completed and published determination of the Water Sector (Licence, Fee, Offence and Penalty) Regulations (WSRs).</li> </ul>	Stable, effective and accountable Government.
<b>Licensing</b>		<b>Goal Nos. 41.1, 41.3, 41.4, 41.6, &amp; 41.8</b>		
<b>Service Objective</b>	<b>Activity/Key</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	<b>Outcomes</b>
The issuance and/or review of Water Producers and Supply and Water Operator Licences.		<ul style="list-style-type: none"> <li>Updated licence application forms and all eligible applications for Water Producer and Supply and Water Operator Licences processed/issued.</li> <li>Cost of Service Study (COSS) on Cayman Water Company Ltd. (CWC) and Water Authority Cayman (WAC) for licence negotiations to set revenue allowances, rates and efficiency targets to ensure the prices consumers pay reflect the efficient costs of supplying their water and wastewater services.</li> </ul>	<ul style="list-style-type: none"> <li>100% of eligible applications completed.</li> <li>Implemented Cost of Service Study (COSS) results will ultimately deliver a transparent, harmonised suite of tariffs to ensure consumers are fairly charged for water and wastewater services by Q2.</li> <li>Advanced negotiations and issuance of Water Producers &amp; Supply (WPS)</li> </ul>	Growing a strong economy to help families and businesses;



	<ul style="list-style-type: none"> <li>Award of new Water Producers &amp; Supply licence to Cayman Water Company Ltd. (CWC) that complies with new Water Sector (Licence, Fee, and Penalty) Regulations.</li> <li>Award of new licences to Water Authority Cayman (WAC) that complies with new Water Sector (Licence, Fee, and Penalty) Regulations.</li> <li>Award of "Operator licences"</li> </ul>	<p>licence to Cayman Water Company Ltd. (CWC).</p> <ul style="list-style-type: none"> <li>Completed and promulgated regulatory framework for the Water Authority Cayman (WAC), and award of Water Producers &amp; Supply (WPS) licence and wastewater licence to WAC by end of Q3.</li> <li>Completed procedures for the issuance of "Operator licences".</li> </ul>		
<b>Compliance</b>				
<b>Service Objective</b>	<b>Activity/Key</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	<b>Outcomes</b>
Receive/review and collate annual compliance data from Licensees.  Ensure networks are benchmarked internationally to drive efficiency gains.		<ul style="list-style-type: none"> <li>Establish Accounts Separation Rules for the water sector.</li> <li>Conduct ex-ante reviews of CWC's and WAC's 5-year Capital Investment Plans (CIP) projects.</li> <li>Conduct review of CWC's and WAC's Customer Satisfaction Surveys (CSS).</li> <li>Ensure fairness and transparency for consumers via enhanced monitoring and enforcement of Licensees' activities.</li> <li>Investigate and prosecute Licensees who break the law.</li> <li>Implementation of water sector performance standards that will allow the Office to assess the level of service improvements provided by CWC and WAC to their customers over time.</li> </ul>	<ul style="list-style-type: none"> <li>Completed and published determination on Regulatory Accounting Rules (RARs) by end of Q3.</li> <li>Completed review of authorised Capital Investment Plan (CIP) projects.</li> <li>Establishment of a 'fit for purpose' framework for indicating projects' results by mid Q4. To facilitate an evaluation of efficiency of both CWC and WAC.</li> <li>Key trends recorded in annual review of CWC's and WAC's Customer Satisfaction Surveys by end of Q2.</li> <li>Take enforcement action under the URC Law, WSR Law, WSP Law and/or WCT Law and Water Sector (Licence, Fee, and Penalty Regulations) as necessary to improve compliance.</li> <li>All reports of illegal activity related to regulation of Licensees investigated by end of Q4.</li> <li>Established performance standards and monitoring of CWC's and WAC's</li> </ul>	Stable, effective and accountable Government.



		performance against key metrics, including adherence to their customer service code of practice, water quality, reduction in non-revenue water, leakage reduction and water consumption. Published periodic reports on CWC's and WAC's service delivery in appropriate accessible format during 2020.		
<b>National Energy Policy</b>	<b>Goal Nos. 33.1, 33.2, 33.4 &amp; 33.5</b>			
<b>Service Objective</b>	<b>Activity/Key</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	<b>Outcomes</b>
Progress and implement the regulatory frameworks to support and give effect to the NEP water strategies especially the adoption of energy efficiency and water conservation programmes, and demand management initiatives.		<ul style="list-style-type: none"> <li>The facilitation and adoption of water efficiency and demand side management programmes that help consumers lower their water and wastewater bills.</li> <li>Creation and introduction of an energy rating system to assess the efficiency of onsite wastewater treatment systems.</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive review of energy efficiency and conservation initiatives in the water sector, and made necessary changes to policy, laws, and regulations by Q 4.</li> <li>Access to affordable water for irrigation purposes for small farmers and other stakeholders wanting to use this resource by Q 4.</li> <li>Introduction of an energy rating system that is constantly used to assess the efficiency of onsite wastewater treatment systems by Q4.</li> </ul>	Growing a strong economy to help families and businesses;
<b>Consumer Protection</b>	<b>Goal No. 41.7</b>			
<b>Service Objective</b>	<b>Activity/Key</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>	<b>Outcomes</b>
Promote consumer protection Implement a Water Services Code of Conduct (Customer Service Standards) that water producers and suppliers shall comply with. Work with water utilities to ensure that, as		<ul style="list-style-type: none"> <li>Consultation paper and determination in relation to Consumer Protection Regulations (Energy and Utilities Sectors).</li> <li>Monitored compliance with customer performance indicators to incentivise increased customer satisfaction amongst water and wastewater consumers.</li> </ul>	<ul style="list-style-type: none"> <li>Published consultation on Consumer Protection Regulations by mid Q3.</li> <li>Established Water Services Code of Conduct (Customer Service Standards) by mid Q4.</li> </ul>	Stable, effective and accountable Government.



monopoly providers, they strive to achieve and improve a high level of customer service that responds to customer needs and desires.			
<b>Critical Infrastructure</b>	<b>National</b>	<b>Goal No. 33.3</b>	
<b>Service Objective</b>	<b>Activity/Key</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>
Support, Maintain, and Secure Critical National Infrastructure by working with Licensees and National Security agencies to identify, implement and monitor plans and protocols to minimise the effects of emergency events on electricity consumers.		<ul style="list-style-type: none"> <li>Reliable, resilient and adaptable infrastructure that has appropriate measures to minimise disruption of supply in the event of unexpected adverse events</li> <li>Licensees have functional and proven Business Continuity Plans (BCPs).</li> </ul>	<ul style="list-style-type: none"> <li>Hold meetings with Licensees CSIRT and other stakeholders and issue CNI guidelines by Q2 2020.</li> <li>Licensees submit independently verified Business Continuity Plans (BCPs) by Q2.</li> </ul>
			Stable, effective and accountable Government.
<b>Innovation</b>		<b>Goal No. 33.4, 33.5, &amp; 34</b>	
<b>Service Objective</b>	<b>Activity/Key</b>	<b>Outputs</b>	<b>Key Performance Indicators</b>
Design and implement the regulatory frameworks to support and give effect to the applicable water strategies under the NEP. Leverage technological advances in the international water and wastewater sectors to stimulate economic development - (ongoing as these strategies are to be progressed annually). This process of continual innovation should provide a		<ul style="list-style-type: none"> <li>Implementation of new and innovative technologies in water production and wastewater treatment technologies (ongoing).</li> </ul>	<ul style="list-style-type: none"> <li>Address existing regulatory matters relating to existing licensing, connection and charging policies by Q4.</li> </ul>
			Growing a strong economy to help families and businesses;



wider range of choice for consumers as well as driving down prices of existing services.			
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## E. 2020 Key Performance Indicators

26. In line with good corporate practice, and to ensure accountability to relevant stakeholders, the Office proposes to evaluate its overall effectiveness through the adoption of key performance indicators ("KPI").
27. In 2020, the Office will measure and monitor its performance using the KPI's listed in Table 1.

**Table 5: The Office's 2020 Key Performance Indicators**

Category	KPI Description	Measure	Period
Statutory Obligations	Compliance with statutory obligations in URC Law and Sector Laws	100%	Per statute
	Compliance with other statutory obligations	100%	Per statute
Finance Functions	Budget accuracy – Accuracy of the budget to the annual actual outcome	±15%*	Annually as measured from audited statements
	Submission of quarterly accounts to Board of Directors	100%	Jan – Mar (April) Apr – Jun (July) Jul – Sep (Oct) Oct – Dec (Jan)
	Management of Payables	85%	Invoices paid within specified periods
	Clean, unqualified external audit	100%	Annually
Regulatory Agenda	Completing the rolling regulatory agenda on schedule	85%	Measured against Annual Plan
	Positive value for money and triennial performance audit	100%	Measured against Regulatory Impact Assessments
Commitment to our People	Investment in training and development as a percentage of staff payroll	10%	Annually
	Percentage of roles held by Caymanians or those with Permanent Residency vs. work permit holders	85%**	Annually
	Succession plans for key positions in place updated biennially	100%	Every two years
Commitment to Consumers	Effectiveness of our Communications programmes***		
	At least one executive member interaction with the public per month	1	Monthly
	Quarterly press updates on Office activities	1	Quarterly

\*2018 is first 12-month budget year. Accuracy is anticipated to increase with historical data.

\*\*Until sufficient historical data is available to make a more informed decision.

\*\*\*KPI will be determined by mid-2020.

## F. Budget and ensuring value for money

The Office's financial year is aligned with the calendar year.

### 2020 Revenues

28. The Office was amalgamated from the ICTA, ERA and PI and its remit has been expanded to include responsibility for the economic regulation of the water and fuels sectors.
29. Pursuant to its own Sectoral Laws and according to best practices in other jurisdictions, it is anticipated each sector shall as far as possible and reasonable bear the Office's costs for regulating that sector and all overheads and other common costs should be allocated transparently across the sectors. In allocating costs and expenses, the Office shall use its best endeavours to allocate directly incurred costs and expenses to the regulated sector to which they relate or where relating to a number of regulated sectors, to each of the regulated sectors to which they relate in proportion to the burden from each of the regulated sectors. Indirectly incurred costs and expenses shall be allocated on a reasonable and transparent basis.
30. The guidance from the URC Law and Sectoral Laws as well as practices established by the legacy regulators is that:
  - a. The Office's revenues are primarily derived from regulatory fees pursuant to the Sectoral Laws;
  - b. The regulatory fees are expected to remain stable over the medium term and should cover the costs of regulating the respective sector;
  - c. The level of regulatory fees is prescribed in licenses; and
  - d. It is intended the Office shall establish and maintain a reserve fund.
  - e. The COVID-19 Pandemic may have a negative impact on receipts for 2020.
31. The Office believes this is a prudent approach for revenue generation that will allow it to plan with greater certainty over the short to medium term.
32. In 2020, the following new expenses will have to be covered by revenue:
  - a. Establishing an Innovation Group which is prescribed in the Law;
  - b. Increased Software licensing costs for a new Quality of Service ("QOS") system;

- c. Relocation to new office facilities or renovation of the existing space, although this plan will be re-evaluated and reprioritised.

33. Accordingly, it is anticipated the Office’s revenue requirements from Licences (i.e., regulatory fees in electricity, ICT and water sectors, and regulatory fees and import permit fees in the Fuels sector) for 2020 will be \$6.5 million, which is approximately \$2 million greater than the \$4.5 million in revenue forecasted for 2019. The Office projects total revenue of \$6,532,955 for 2020, and a budget surplus of \$1.0 million. Planned contributions to the Reserve Funds for 2020 is \$420,000.
34. Table 6 compares the Office’s 2019 forecasted revenue to the 2020 budgeted revenue from Licences while Table 7 compares total budgeted revenue per year per sector:

**Table 6:** 2019 Forecast and 2020 Budgeted Revenue from Licences  
(in Cayman Islands Dollars)

Sector	2019 Revenue	2020 Revenue
ICT	1,719,435	1,992,338
Electricity	1,200,000	1,237,000
Fuels	77,552	88,150
Water	--	1,200,000
Combined	2,996,987	4,517,488

**Table 7:** 2019 and 2020 Budgeted Revenue from Licences  
(in Cayman Islands Dollars)

Sector	2019 Revenue	2020 Revenue
ICT	2,178,003	2,511,832
Electricity	1,232,857	1,262,324
Fuels	1,085,806	1,520,710
Water	5,248	1,238,089
Combined	4,501,914	6,532,955

35. The only assured revenue streams available to the Office are through the levying of regulatory fees. Therefore, in order to ensure sector revenue streams meet requirements, the Office must modify the ICT and electricity regulatory fee structures and introduce appropriate measures for the water and fuels sectors. The Office intends to adopt the following strategies to meet its medium-term revenue requirements:



- a. For the ICT sector, remove the \$600,000 cap in regulatory fees;
- b. For the water sector, complete negotiations with CWC and the WAC to provide for regulatory fees of \$1,200,000;
- c. For the fuels sector, work is ongoing for the introduction of long-term sustainable funding; and
- d. Across all sectors, proactively monitor licensee compliance and vigorously pursue & enforce compliance with licence conditions, regulations, and provisions of the various applicable laws.

## 2020 Expenses

### Combined Expenditures

36. Table 8 compares 2019 forecast operating and capital expenditures to the 2020 budgeted operating and capital expenditures for the Office.

**Table 8:** Combined 2019 Forecast and 2020 Budget  
(in Cayman Islands Dollars)

Expenses	Forecast 2019	Budget 2020
Staff Payroll	2,168,855	2,604,666
Directors' Fees	181,455	206,399
Consultancy & Professional Fees	226,197	371,000
Legal Fees	175,000	125,000
Travel and Subsistence	47,806	78,100
Lease of Property & Equipment and Utilities	276,648	318,026
Training	57,902	145,025
Insurance	46,708	46,440
Employee Health Insurance	404,672	503,799
Pension Contributions	278,833	338,606
Depreciation	109,821	198,885
IT Services	83,290	203,348
Other Staff Costs	53,049	96,325
Other Operating Expenses	172,315	275,292
<b>Total Combined Operating Expenses</b>	<b>4,282,550</b>	<b>5,510,911</b>
Capital Expenditures	54,875	509,000

37. The Office's total combined operating expenses for 2020 will be up CI\$1,228,361 due mainly to higher Staff Payroll, Consultancy Fees and Employee Health Costs. These increases will be partially offset by lower legal fees when compared to the forecast for 2019. Explanations of significant changes from Table 8 are set out below:
  - a. *Staff Payroll* will increase by 20% as a result of a full year of personnel costs incurred for 2019 staff additions and the addition of three new staff members planned for 2020.
  - b. *Directors' Fees* will increase by 14% when compared to 2019 due to the appointments of an additional Board Member in June 2019 (in

- accordance with the URC law section 14(3) and the PAL section 9) and a Risk & Audit Sub-committee Chairman, who was appointed in September 2019.
- c. Legal Fees will decrease by 29% reflecting the conclusion of the Judicial Review in the matter of the decision regarding a telecommunications licensee. There is no indication of additional Judicial Reviews for 2020.
  - d. Spending on *Travel and Subsistence* costs will increase by 63% or \$30,294 based on increases in planned international travel.
  - e. *Training Costs* will increase by \$87,123 to \$145,025 due to the Office's continued commitment to developing and equipping employees with additional skill sets to meet sectoral regulatory objectives. The average cost of training per employee in 2020 is approximately \$5,801 vs \$2,413 in 2019.
  - f. *Employee Health Insurance* costs will increase by 24% when compared to 2019 due to a full year of costs incurred for 2019 staff additions, the addition of three new staff members and an anticipated increase in health insurance premiums.
  - g. *Pension Contributions* will increase by 21% due to a full year of personnel costs incurred for 2019 staff additions and proposed salary adjustments.
  - h. *IT Costs* will increase by \$120,058 due to upgrades to technology which includes licensing costs for the QOS system.

Budgeted capital expenditures will increase by \$454,125 in 2020. Over 50% of the planned capital expenditure in 2020 is related to leasehold improvements. The Office commenced assessing options for new office accommodations or to refurbish current office space in 2020.

### Sectoral Expenditures

38. For the ICT sector, Table 9 shows budgeted operating expenditures are up by 7% in 2020 to \$2,266,936.

**Table 9: ICT Sector 2019 and 2020 Budget**  
(in Cayman Islands Dollars)

Expenses	Forecast	Budget
	2019	2020
Staff Payroll	1,057,095	1,086,295
Directors' Fees	85,394	82,560
Consultancy & Professional Fees	62,737	110,000
Legal Fees	175,200	--
Travel and Subsistence	27,918	40,000
Lease of Property & Equipment and Utilities	127,177	138,010
Training	28,988	54,010
Insurance	22,042	18,576
Employee Health Insurance	209,641	211,818

<b>Expenses</b>	<b>Forecast</b>	<b>Budget</b>
	<b>2019</b>	<b>2020</b>
Pension Contributions	136,180	141,218
Depreciation	51,526	108,565
IT Services	40,586	152,259
Other Staff Costs	4,121	11,710
Other Operating Expenses	84,967	111,915
<b>Total Combined Operating Expenses</b>	<b>2,113,373</b>	<b>2,266,936</b>
Capital Expenditures	10,055	128,000

39. Explanations of significant changes in ICT sector expenses from Table 9 are set out below:

- a. *Staff Payroll* in 2020 will increase by 3% as a result of a full year of personnel costs incurred for 2019 staff additions;
- b. *Consultancy & Professional Fees* will increase by 75% to \$110,000 as a result of the Significant Market Power Assessment that will be completed in 2020;
- c. *Legal Fees* will decrease by 100% as a result of the conclusion of the Judicial Review in the matter of the decision regarding a telecommunications licensee. There is no indication of additional Judicial Reviews for 2020;
- d. *Depreciation* will increase by \$57,039 as a result of 2020 capital expenditures for the purchase of equipment to assess the Quality of Service (QOS) for broadband and mobile services;
- e. *IT Costs* will increase by \$111,673 due to set up costs expected to be incurred in 2020 for upgrades to technology including the licensing costs for the QOS system.

40. Table 10 shows budgeted operating expenditures for the electricity sector up 27% for 2020 to \$1,076,079.

**Table 10:** Electricity Sector 2019 and 2020 Budgets  
(in Cayman Islands Dollars)

<b>Expenses</b>	<b>Forecast</b>	<b>Budget</b>
	<b>2019</b>	<b>2020</b>
Staff Payroll	449,199	566,198
Directors' Fees	38,518	41,280
Consultancy & Professional Fees	19,372	65,000
Legal Fees	-	-
Travel and Subsistence	12,275	9,000
Lease of Property & Equipment and Utilities	57,660	60,005
Training	19,249	30,505
Insurance	9,866	9,288
Employee Health Insurance	84,992	112,406
Pension Contributions	57,411	73,606
Depreciation	23,318	23,325
IT Services	16,993	17,030
Other Staff Costs	23,659	27,855

	<b>Forecast</b>	<b>Budget</b>
<b>Expenses</b>	<b>2019</b>	<b>2020</b>
Other Operating Expenses	35,053	40,581
<b>Total Combined Operating Expenses</b>	<b>847,566</b>	<b>1,076,079</b>
Capital Expenditures	4,032	64,000

41. Explanations of significant changes in electricity sector expenditures are set out below:

- a. Staff Payroll is projected to experience an increase due to the allocation of staff costs in this sector. While total staff payroll costs have increased for the Office, it is anticipated that staff from the Electricity Sector will dedicate less time to the Water Sector in 2020. The water sector is expected to hire two new staff members in 2020.
- b. *Consultancy and Professional fees* will increase by \$45,628 as a result of engaging external expertise to assist with the review of Request for Proposals related to the Renewable Energy Auction Scheme.
- c. *Training* expense will increase by \$11,256 in 2020 due to the continued focus on developing and equipping staff with additional skills to meet the regulatory objectives of the sector.
- d. *Employee Health Insurance* costs will increase by 32% or \$27,414 when compared to 2019 due to the allocation of staff costs in this sector and the projected increased in health insurance premiums.

42. For the fuels sector, Table 11 shows budgeted operating expenditures will increase by 32% for 2019 to CI\$1,352,819.

**Table 11: Fuels Sector 2019 and 2020 Budget**  
(in Cayman Islands Dollars)

	<b>Forecast</b>	<b>Budget</b>
<b>Expenses</b>	<b>2019</b>	<b>2020</b>
Staff Payroll	467,888	597,263
Directors' Fees	49,656	53,074
Consultancy & Professional Fees	135,025	172,429
Legal Fees	-	-
Travel and Subsistence	6,266	24,100
Lease of Property & Equipment and Utilities	79,843	77,150
Training	8,744	40,721
Insurance	12,731	11,942
Employee Health Insurance	80,703	105,915
Pension Contributions	60,424	77,644
Depreciation	30,088	49,346
IT Services	22,149	21,895
Other Staff Costs	24,913	30,853
Other Operating Expenses	46,982	90,487

<b>Expenses</b>	<b>Forecast</b>	<b>Budget</b>
	<b>2019</b>	<b>2020</b>
<b>Total Combined Operating Expenses</b>	1,025,413	1,352,819
Capital Expenditures	39,379	271,286

43. Explanations of significant changes in fuels sector expenditures shown in Table 6 are set out below:
- Staff Payroll* will increase in 2020 by 28% as a result of new hires and the planned replacement of one fuel inspector who vacated the post in May 2019. The fuel inspector post remains vacant as at November 30, 2019;
  - Consultancy & Professional Fees* will increase by 28% or \$37,404 as a result of engaging external expertise to complete the Fuel Market definition and competition assessment in the fuel sector.
  - Training* expenses will increase by \$31,977 due to the continued focus on developing and equipping staff with additional skills to meet the regulatory objectives of the sector. During 2019, one fuel inspector left the Office, which did not allow the sector to take full advantage of the funds available for training;
  - Depreciation* will increase by 64% or \$19,258 as a result of planned capital expenditures to drive a higher level of safety and compliance across the industry in accordance with the Dangerous Substances Law (2017);
  - Health Insurance* will increase by 31% or \$25,212 due to the addition of one new staff member, the replacement of a fuel inspector and an anticipated increase in health insurance premiums; and
  - Other Operating Expenses* will increase by \$43,505 due to increases in maintenance costs, subscriptions and membership fees.
44. Table 12 shows the water sector budgeted operating expenditures remained constant increasing by 162% for 2020 to \$815,078.

**Table 12:** Water Sector 2018 and 2019 Budgets  
(in Cayman Islands Dollars)

<b>Expenses</b>	<b>Forecast</b>	<b>Budget</b>
	<b>2019</b>	<b>2020</b>
Staff Payroll	194,673	354,910
Directors' Fees	7,887	29,486
Consultancy & Professional Fees	9,062	23,571
Legal Fees	15,000	125,000
Travel and Subsistence	1,346	5,000
Lease of Property & Equipment and Utilities	11,967	42,861
Training	920	19,789
Insurance	2,069	6,634
Employee Health Insurance	29,336	73,660
Pension Contributions	24,818	46,138
Depreciation	4,889	17,649
IT Services	3,563	12,164

<b>Expenses</b>	<b>Forecast</b>	<b>Budget</b>
	<b>2019</b>	<b>2020</b>
Other Staff Costs	357	25,907
Other Operating Expenses	5,312	32,309
<b>Total Combined Operating Expenses</b>	<b>311,199</b>	<b>815,078</b>
Capital Expenditures	1,409	45,714

45. Explanations of significant changes in water sector expenditures in Table 12 are set out below:
- Staff Payroll* will increase by 82% to \$354,910 in 2020 due to planned staff additions in 2020 and the decreased allocation of Electricity sector staff members' costs;
  - Directors' Fees* will increase by \$21,599 due to the addition of two new staff members, which has increased the allocation of costs to this sector;
  - Legal Fees* will increase by \$110,000 as a contingency for the CWC licensing matter;
  - Employee Health Insurance* expense will increase by \$44,324 due to the addition of two new staff members for this sector and an anticipated increase to health insurance premiums;
  - Other Staff Costs* will increase by \$25,550 due to budgeted work permit costs for a new senior position in the sector;
  - Other Operating Expenses* will increase by \$26,997 due mainly to the addition of 2 new staff members, which has increased the allocation of overhead costs to this sector;

## Executive and Non-Executive Remuneration

46. In accordance with the Office's statutory obligations in **section 41(2)(d)** of the URC Law, Tables 13 and 14 show the level of Executive and Non-Executive remuneration in 2019 and 2020 respectively.

**Table 13:** Executive and Non-Executive Remuneration in 2019  
(in Cayman Islands Dollars)

	<b>ICT</b>	<b>Electricity</b>	<b>Fuels</b>	<b>Water</b>	<b>Combined</b>
Executive	208,081	164,981	228,033	90,629	691,724
Non-Executive	76,725	34,722	44,803	7,281	163,531
Total	284,806	199,703	272,836	97,910	855,255

**Table 14:** Executive and Non-Executive Remuneration in 2020  
(in Cayman Islands Dollars)

	<b>ICT</b>	<b>Electricity</b>	<b>Fuels</b>	<b>Water</b>	<b>Combined</b>
Executive	273,369	183,820	249,494	120,540	827,223
Non-Executive	82,560	41,280	53,074	29,486	206,400
Total	355,929	225,100	302,568	150,026	1,033,623

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