



2021

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**ANNUAL
REPORT**

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This is the 2021 Annual Report for the Utility Regulation and Competition Office (the ‘Office’ or ‘OfReg’) for the period 1 January 2021 to 31 December 2021. 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.

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.

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

OfReg 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, OfReg is statutorily obligated to promote and be guided by the Cayman Islands Government National Energy Policy (“NEP”) for the energy and fuel sectors.

Message from the Chairman

We have been implementing a flexible approach to managing resources and our current capability



Mr. Rudy B. Ebanks
Chair of the Board of Directors

On behalf of the Board of Directors, I am pleased to present OfReg's Annual Report for the financial year ended 31 December 2021.

I must first thank our talented people at OfReg, for their profound and continued dedication, support and commitment during a challenging and disruptive year. Nevertheless, we achieved positive performance for OfReg, as we delivered tangible results through robust operational execution and decisive actions.

Following the large-scale rollout of vaccination programmes and easing of COVID-19 restrictions, the Cayman Islands' industry activities have gradually rebounded from last year. In line with this, we have seen a broad-based increase in activity in most industries we regulate.

However, we are mindful of frequent global changes around us, such as the possibility of further waves

of infections from COVID-19 variants, international inflation rates, and now the war between Russia and Ukraine, impacting the cost of living in the Cayman Islands; as well as emerging and rapidly changing technologies that continue to create challenges in the sectors we regulate.

Barring any unforeseen circumstances, at OfReg, we have been implementing a flexible approach to managing resources and our current capability to adapt to these ever-changing circumstances.

In 2021, our focus was on assessing and strengthening our organisational performance, helping us become more effective, efficient, and resilient.

We are cognisant of this need to be flexible and responsive but are also wary of existing resource gaps which are gradually being rectified. Consideration will be given to the emerging and rapidly changing

technologies and the regulatory tools required to improve the regulatory environment, promote sustainability, economic growth and development, improved service delivery, and infrastructure resiliency.

Later in this Annual Report, you will read the disruption to the Board of Directors from mid-May to the end of October. However, the newly appointed Board of Directors is committed to improving service delivery and stakeholder engagement, with a keen concentration on our consumers. We recognise the importance of ensuring that OfReg is adequately equipped to deliver on its mandate of ensuring safe, reliable, economic public utilities to businesses and the people of the Cayman Islands.

As a regulator, the input of all our stakeholders is essential in contributing ideas and expertise to chart the development of future utility services. At OfReg, we will continue to seek to improve our consultation and outreach and develop a stakeholder engagement framework that will guide our communications with Government, Industry, and Consumers.

Despite the organisational changes in 2021, important achievements materialised with regard to strengthening the Cayman Islands' regulatory framework. OfReg resubmitted the Draft Consumer Protection Regulations for the ICT Sector and continued to finalise the work on the Draft Consumer Protection Regulations for both the Fuels and the Energy and Water Sectors.

Other notable accomplishments include the implementation of the revised 5-year Strategic Plan, intended to ensure not only relevance and adaptation to changes in the environment and the organisation but also to ensure OfReg's future objectives, plans, and priorities, as we advance, are informed by the Government's 2022-2024 strategic policy statement and National Energy Policy. Our regulatory reach

has continued to extend by publishing ten new consultations and administrative determinations for the Energy, Fuel and ICT sectors during the year.

Our employees are mainly responsible for allowing OfReg to achieve the objectives laid out in this Annual Report. We recognise the critical role employee engagement, training and development play in the successful accomplishment of our goals. As the team commits to producing key deliverables in challenging fields, a rewards regime will be established to recognise attitude, talent, accomplishments, and experience.

Accountability will be measured through the implemented performance management system, which seeks to promote and recognise excellence, thereby allowing the organisation to deliver exceptional regulatory services for the Cayman Islands.

We remain focused on our statutory duties and obligations and on achieving the objectives and outcomes set in our Annual Plan informed by our Strategic Plan.

I want to recognise the former Chairman for his stewardship during the first five months of the year. I must also thank my fellow Board Members, past and present in 2021, for contributing their business expertise and industry knowledge. In particular, I extend the entire Board's appreciation to all employees and stakeholders for their invaluable contributions and support over the past year. I am proud of what we accomplished together during 2021, and I am also very optimistic about the opportunities ahead.

I look forward to an even more rewarding 2022 as we continue to focus on our staff, our consumers, and indeed all our stakeholders.

Message from the CEO

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



Mr Peter Gough
Interim Chief Executive Officer

I took up my role as Interim Chief Executive Officer on March 1, 2022, so my message is forward-looking, covering our Focus Area 5: Institutional Strengthening.

In 2022 I will be targetting three areas:

Firstly, **improving capability and capacity:** This will involve setting up an online learning platform so that all staff can improve their skills in any area of expertise that pertains to their job. In addition, all staff will be able to take courses in the Civil Service College in leadership and management.

All staff will be required to have Personal Development Plan so that we can develop succession plans for all staff.

Secondly, **working together:**

OfReg was set up in 2017 from three discrete entities. I will focus on making it one organisation by integrating systems and processes and reshaping the organisational structure.

Thirdly, **improving accountability:**

All staff will be continually assessed on their performance to ensure that they achieve their objectives in alignment with the ownership and purchase agreement with the Cayman Islands Government.

Our Vision: Fair Regulation for Consumers & Industry

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 OfReg;
- Encourage the conservation of natural resources and environmental preservation;
- Ensure effective methods of communicating OfReg's areas of regulation, decisions and their impacts on the public;
- Develop and promote activities that encourage stakeholder trust and confidence; and
- Serve the public interest through a commitment to professionalism, diversity, mutual respect and ethical conduct.

Governance

The URC Act defines the responsibilities of OfReg and all stakeholders and governs regulation for the energy, fuels, ICT, water sectors in the Cayman Islands. The Public Authorities Act (as revised) (“PAA”) is key complementary legislation which regulates the management and governance of all Statutory Authorities and Government Companies.

Board of Directors

The Board of Directors is responsible for the governance and general administration of the affairs and business of OfReg 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 Fuels Inspector.

In 2021, the Board of Directors met 10 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.

In May 2021, OfReg bid farewell to its former Chairman of the Board, Dr. the Hon. Linford A. Pierson. Dr. Pierson served as Chairman of the Board from OfReg’s inception in 2017 and oversaw the initial development of OfReg. Dr. Pierson was replaced by Mr. Rudy Ebanks in September 2021.

In addition to the replacement of the Chairman of the Board, the three former Non-Executive Directors (“NEDs”) terms expired in May 2021 and these posts remained vacant until October 2021 when Mr. Frank Balderamos, Mr. Alric Lindsay, and Mr. Leroy Whorms were appointed by Cabinet as NEDs of the Board. As a result of the timing of the changes to the Board of Directors, the Board did not function from June to September 2021.

Codes of Conduct and Internal Policies

In 2021, the Board approved: a General Reserve policy; a Revised Procurement policy and Procedures Manual; and a Revised Payment Approval policy; OfReg continues to develop and establish robust mechanisms to improve governance and systems of control.

Committees

Pursuant to section 27 of the URC Act, OfReg established a Remuneration and Human Resource Committee. The role of the Remuneration and Human Resource Committee is to provide guidance to the Board on remuneration and human resources issues. OfReg 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 OfReg'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 Board appointed a new Risk and Audit Subcommittee Chair, Dr. Wrendon Timothy. 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 OfReg's website within two months following Board review.

Duty to Publish

Pursuant to section 8 of the URC Act, OfReg 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.

Duty to Consult

In accordance with section 7 of the URC Act, OfReg is obligated to conduct public consultations prior to issuing an administrative determination which, in the reasonable opinion of OfReg, is of public significance and subject to specific procedures under sectoral legislation. The following consultations and determinations were published in 2021:

1. **E&U 2021- 1** – Final Determination on Proposed Renewable Energy Capacity Reallocation and Tariff Setting
2. **E&U 2021 - 2** – Consultation on Final Determination on Proposed Renewable Energy Capacity Reallocation and Tariff Setting (“RECRTS”)
3. **E&U 2021 – 2** – Final Determination on Proposed Renewable Energy Auction Scheme
4. **E&U 2021 - 3** – Consultation on Proposed Distributed Generation Resource 3 MW Cap
5. **E&U 2021 – 3** – Final determination on Proposed Distributed Generation Resources 3 MW Capacity Increase
6. **FS 2021 - 1** – Consultation on Draft Determination re Proposed Fuels Market Definition
7. **FS 2021 - 2** – Consultation on Proposed Fuels Market Economic and Regulatory Assessment
8. **FS 2021 – 3**- Draft Final Determination on Proposed Consumer Protection Regulations
9. **FS 2021 – 4** – Draft Final Determination on Proposed Fuel Market Economic & Regulatory Assessment
10. **ICT 2020 – 1** - Final Determination on Internet Exchange Point (IXP) Regulatory Framework

Our People

OfReg is comprised of a Board of Directors and 24 employees. Executive Directors are the principal sectoral advisors while the Chairman and Non-Executive Directors are chosen by Cabinet and initially appointed for fixed terms of up to 3 years.

Staff

There were two new additions to OfReg's staff complement in 2021. Both new hires were in the Fuels sector.

The Office recognizes that there are existing resource gaps, which are gradually being rectified, with planned additions to the Office staff complement to ensure that we are flexible and responsive to the emerging and rapidly changing environments that we are tasked with regulating. During the year, the Office developed and implemented an employee performance management system to support continued employee growth and succession planning.

Professional Development

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

OfReg 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 OfReg environment to undertake a course or complete projects that support an employee's development needs; and tuition/course fees and expenses.

During 2021, the continued 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 2022.

Internships

During 2021, OfReg continued its internship programme as part of its continuing commitment to knowledge transfer, exposure and up-skilling candidates with potential for development in the sectors OfReg regulates. Ofreg's current intern gained significant insight and has become more conversant with OfReg's role in the fuel sector, along with exposure in the other sectors and wider functions of OfReg. OfReg joins other global regulators with this initiative.

Summary of Achievements

Several multi-year projects continue to progress as planned, and OfReg remains optimistic that once these are finalised, they will yield significant improvements to the economic and regulatory framework and translate into increased benefits to consumers and other stakeholders.

Consumer Relations

During the year, OfReg conducted its first Customer Satisfaction Survey. The survey was completed by industry stakeholders and members of the general public who have had direct interaction with the services provided by OfReg. This survey was conducted to establish a baseline against which OfReg will measure the public's perceptions, and going forward, the results will serve as an integral element of our strategic planning to ensure continuous improvement in efficiency and effectiveness.

We commenced the redevelopment of OfReg's website to better manage and enable business processes while improving stakeholder engagement. Creating a more appealing, informative, and navigable website, where every customer contact would lead to action and meaningful insight, is envisioned to create a more satisfying customer experience for all our stakeholders.

Consumer Protection Regulations

In 2021, OfReg resubmitted the draft Consumer Protection Regulations for the ICT Sector to the Ministry of Border Control & Labour ("BCL") for Ministerial consideration and approval. The approval of these Regulations has been pending since 2020. The purpose of the Regulations is 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 OfReg to better specify and uphold the terms and conditions under which ICT services are provided. OfReg expects the Regulations to be published in 2022.

OfReg also completed its final round of public consultations in 2021 on the proposed Consumer Protection Regulations for the fuel sector. These regulations will provide an enhanced regulatory framework which will strengthen the quality standards and terms and conditions under which services and products are provided. OfReg plans to submit the draft Regulations to Cabinet for approval during the first quarter of 2022.

During the year, OfReg also continued the work on the Draft Consumer Protection Regulations for the Energy and Water Sectors. It is anticipated that the Regulations will also be submitted to Cabinet in 2022.

Energy

Renewable Energy Auction Scheme (REAS)

OfReg issued its final determination on a Renewable Energy Auction Scheme. The REAS will be implemented in the first quarter of 2022 and is designed to enable the procurement of utility-scale renewable energy projects of 20 megawatts (MW) capacity or higher plus energy storage at competitive prices while advancing the goals of the NEP. These goals include 70% of electricity generation from renewable energy sources by 2037 and attainment of the 2015 Paris Accord of 4.8 tCO₂e of greenhouse gas (GHG) emissions per capita by 2030 (an approximate 60% reduction).



Renewable Energy Capacity Reallocation and Tariff Setting (RECRTS)

The Customer-Owned Renewable Energy Resources (CORE) programme reached maximum capacity in 2020. However, there was further demand from residents wishing to take part in the programme. After an extensive consultation period, which started in 2020, OfReg issued its final determination on the proposed RECRTS. The determination concluded that 500 Kilowatts (kW) of capacity would be reallocated from the Distributed Energy Resources (DER) programme to the CORE programme. The tariff was established at \$0.175/kWh for solar PV systems 5kW and below, and a tariff rate of \$0.15/kWh for systems between 5kW and 10kW.



Total CORE Applications Received by Year Submitted



Distributed Energy Resources Programme (DER)

The distributed generation market continues to grow, and there is an ongoing demand for capacity to accommodate the number of system installations. Accordingly, OfReg also issued a Consultation Paper on a proposed 3 MW capacity increase for the DER. The increase aims to ensure sufficient capacity is available to solar PV electricity producer-consumers (prosumers) until CUC's proposed 20 MW Battery Energy Storage System ("BESS") becomes operational. It was determined that this capacity would be made available for both the CORE and DER programmes. The tariffs have been set at the same rates as those established for the 500-kW capacity transfer. The rate mechanisms for the DER programme remain unchanged from their previous levels.

UN Climate Change Conference ("COP26")

OfReg was invited to participate in the Global Regulatory Accelerator for Energy Transition, launched at the UN Climate Change Conference ("COP26") in November

2021. A key function of the Accelerator for global energy regulators is to work alongside or in partnership with each other, leveraging the global diversity of regulatory skills, knowledge, and expertise in a meaningful way. It is anticipated that this collaboration will bode well for collective efforts to overcome the barriers to transitioning our energy systems from fossil fuels to green technology energy sources. OfReg's participation in the conference also helps meet our NEP requirements to promote and support regional international exchanges of thought leadership to position the Cayman Islands as a leading resource centre for information on best/next practices in energy research.

Advice to the Energy Policy Council

The Energy Policy Council is the body with oversight responsibility for implementing the NEP. OfReg advised the EPC on several initiatives that were being undertaken during the period, including the EPC request for proposals (RFP) for a 5-year review of the NEP, RFP for an energy audit of Cayman Islands Government ("CIG") buildings, as well as other NEP related matters.



Alternative Fuels for Electricity Generation

OfReg consulted with CUC on its proposal to engage K&M Advisors to produce a high-level gas-to-power strategy using natural gas as a transitional fuel. The objective is to establish a framework and agreement to implement a successful gas to power programme to achieve the benefits specified in the NEP and CUC's Integrated Resources Plan (IRP). It is anticipated that CUC will submit business cases for OfReg's consideration in 2022 to roll out the strategy.

Approval of CUC's Capital Investment Plan ("CIP") for 2022-2026

OfReg approved CUC's 5-year CIP for investments in its operations to provide dependable and reliable electricity service to its customers on Grand Cayman.

Approval of CUC's George Town Revitalisation Projects

OfReg approved the following CUC projects:

- George Town Distribution Resiliency Project Phase 1a rate for undergrounding of electricity distribution lines that the Government has requested as part of the George Town Revitalisation Project, and
- The 16-foot new pole and double luminaire rates.

Approval of CUC's Proposal to Extend the Useful Life of its Generating units G1, G2, G19 and G20

OfReg approved the following CUC projects:

- Extension of the useful life of its generating units G1 and G2 by an additional four years from May 2023 to April 2027 on the condition that the licensee provide a roadmap for the phasing out of these units, and
- Extension of the useful life of its generating units G19 and G20 by an additional five years. G19 will be extended from July 2021 to July 2026, and G20 will be extended from February 2024 to February 2029 on the condition that the licensee provides a roadmap for the phasing out of these units.

Approval of CUC's Temporary Generation Plan (TGP)

OfReg also approved CUC's Proposed 2022-2023 TGP covering the one-year period for 2022 to enable the licensee to meet its generation reserve capacity conditions of its Transmission and Distribution (T&D) licence.

Fuel

Fuel Market Definition and Economic Regulatory Market Assessment

OfReg completed the Market Definition and Economic Assessment of the Fuels Market and Sector. One of the key findings of the assessment is that there is an acceptable level of competition in the retail network (gas stations); however, at the wholesale level, the market is not competitive. OfReg is finalising recommendations for intervention in the fuel sector to ensure consumers are paying a fair and reasonable price for fuel relative to global fuel prices while ensuring they have access to a reliable supply, a good mix and option of fuel types, acceptable quality, and that all the standards related to fuels in the Islands are being met.

Compliance and Enforcement

In keeping with its obligations under the Dangerous Substances Act (DS), OfReg successfully completed a major investigation into a tank leak at Rubis Cayman Islands Ltd.'s Jackson Point Terminal at George Town. This matter is

pending enforcement action. OfReg continues to proactively implement the recommendations from the investigation findings via a phased approach to increase compliance and enhance public safety. Arising from the foregoing, an industry-wide bulk tank and pipeline forum was held in October 2021 to address key issues impacting bulk fuel assets, including design and maintenance considerations to be adopted for the economic sustainability, safety, and continued reliability of the sector.

Another key obligation of OfReg is to ensure fair pricing to consumers. To this end, in 2021, OfReg carried out internal probes and reviews as necessary and took OfReg to monitor fuel prices to assess and ensure fuel pricing remains equitable and reflective of the global fuel price trends.

Alternative Fuels Options

OfReg continued its engagement with prospective liquified natural gas (“LNG”) Suppliers and potential entrants to the Fuels Market as part of its obligations to advance/support broader NEP Objectives. One provider was granted permission to establish capability for cylinder refilling.

OfReg also facilitated the introduction of a pilot initiative under the NEP relating to liquid petroleum gas (“LPG”), commonly known as propane, as a fuel for transportation. As a result,





an application was received from one provider, and the site will be considered for retrofitting in early 2022 to allow for the fueling of LPG automobiles.

Crude Oil and Fuel Prices trends in 2021

Crude Oil (and, as a result, refined fuel) prices continued their volatile trend in 2021. At the beginning of the year, crude oil prices started at USD 50.80 per Barrel (Bbls) and continued on a steadily increasing trend during the year, reaching the highest price of USD 85.43 per Bbls in October 2021. This was the highest price since 2014, which led to pump prices in Cayman also reaching their peak around this period.

The intervention by the United States, which saw the release of several million barrels of oil reserves into the market to increase supply, resulted in crude oil prices trending downward to USD 69.53 per Bbls in early December 2021. However, by the close of the year, an average of USD 9.08 per Bbls increase in crude prices was recorded. Refined fuel

prices showed a similar trend to crude oil prices. Graph 1 shows the trend of crude oil and refined fuel prices relevant to the Cayman Islands and local fuel prices during 2021. Local prices generally followed refined price trends throughout the year.

Consumers benefited from lower fuel prices across all grades of products in the first quarter of 2021. Regular gasoline and diesel were the lowest throughout the year in January (\$3.90 and KYD 3.91 per IG, respectively). While moderate fluctuations were observed during the year, there was, on average, a 31% increase in prices at the end of the year compared to the start of the year directly due to changes in refined (imported) fuel prices. Accordingly, the lowest prices recorded during the year were \$3.90 (regular gasoline), \$3.98 (premium gasoline) and 3.91 (diesel); however, by the end of December 2021, these prices had risen to \$5.21, \$5.40, and \$5.16 per IG respectively.

Across the region, prices in comparable jurisdictions followed similar trends as observed in previous years. Local prices continued in

the median price range compared to the regional jurisdictions analysed (see graph 2).

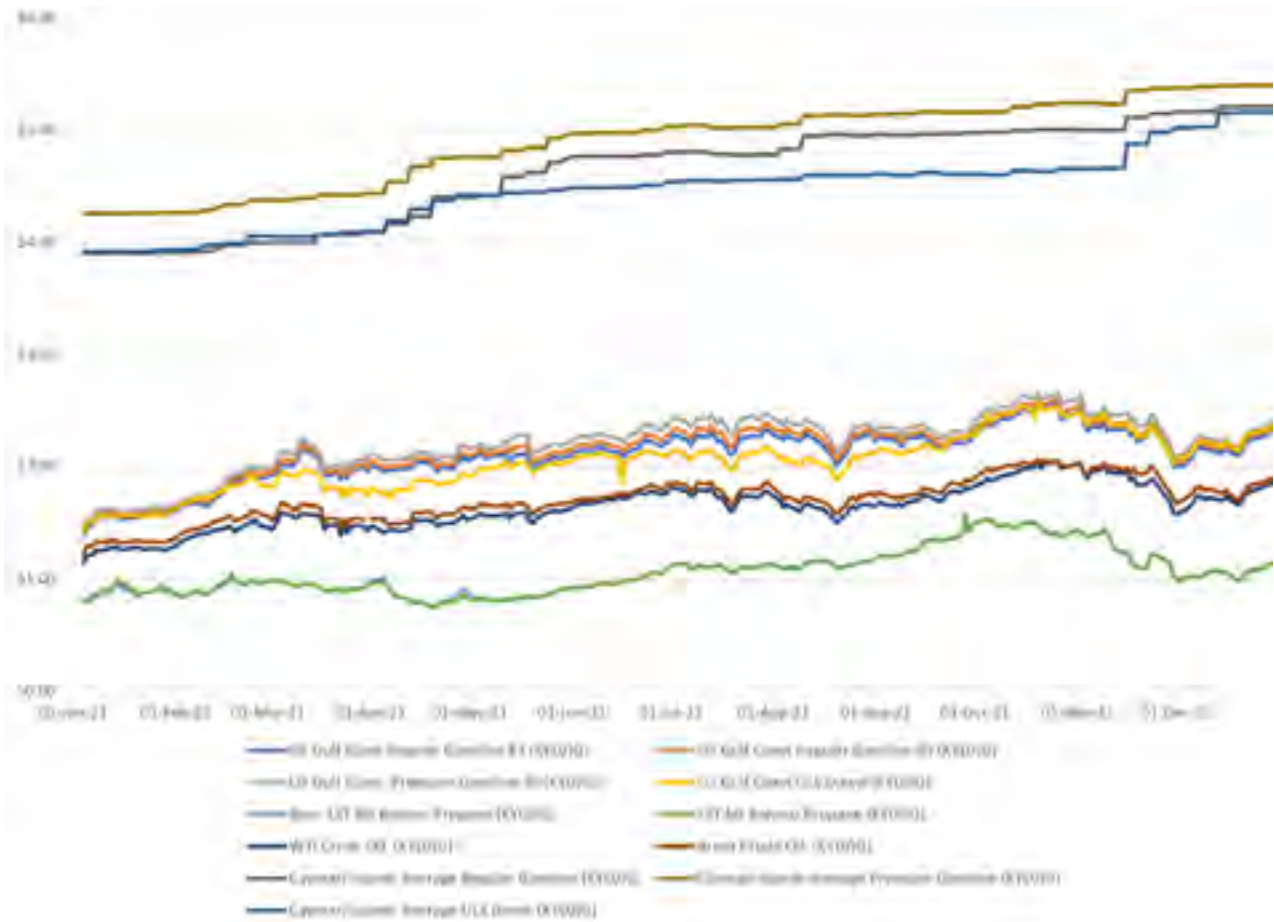
Monitoring and posting of fuel prices throughout the Cayman Islands are being done consistently and posted weekly to our website at www.ofreg.ky for the benefit of the public. Analyses of local price trends are also available for public access on OfReg's website.

International Maritime Organisation (IMO) Instrument Implementation Code (“III Code”) Audit and National Maritime Oil Spill Contingency Plan.

In 2021, the Cayman Islands were audited as part of the IMO Member State Audit Scheme (IMSAS). The Code is the key instrument against which member states are audited to ensure that they are meeting their obligations as part of the United Nations global mandate to protect their marine environments against spills and other related marine disasters. Nationally, the Government also enacted the National Maritime Oil Spill Contingency Plan (NMOSCP) in October 2021, which sets similar requirements as the IMO for oil spill management. In 2021, OfReg enhanced its capacity and capability to ensure continued and sustained compliance and enforcement in key areas of its remit, to be in a position to achieve the objectives of the National Plan and a successful audit outcome.



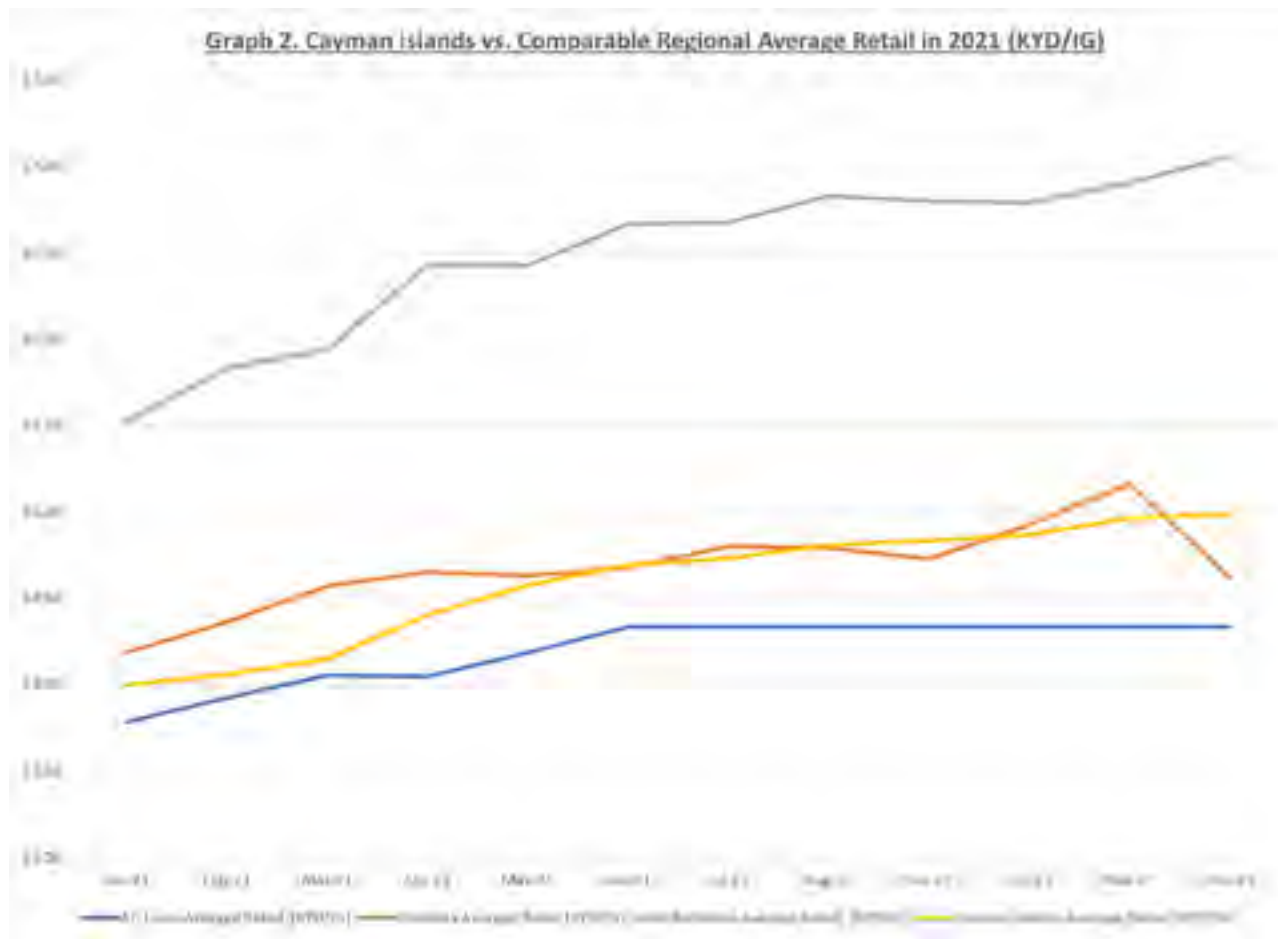
Graph 1: Cayman Islands Retail vs. US Gulf Coast Refinery and Oil Prices in 2021 (KYD/IG)*



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Graph 2. Cayman Islands vs. Comparable Regional Average Retail in 2021 (KYD/IG)*





Fuel Sector Outputs

The following results were achieved by the Fuel sector team during OfReg's 2021 financial year:

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

Objectives/ Action/ Measures		Annual Objective	Actual
Quantity	General Inspection (all permitted premises and vehicle)	270-300	315
	Statutory Consultation (Planning and Permitting)	60-120	295
	Fuel and Energy related Initiatives Engagement	5-10	5
	FOI, Media and Complaints handled/addressed	40-60	14
	Quality Control & Fuel testing	4-10	8
	Issuance of Operating and Import Permits, and Calibration Certs		
	Pump Calibrations witnessed/supervised (Premises/Vehicles)	210-245	244
	General Policy Advice and Consultation	40-50	48
	Emergency and Spill Response Management	35-50	1
	Technician certification (certificates issued)	8 – 10	10



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.



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

	Objectives/ Action/ Measures	Annual Objective	Actual
Quantity	Collate and Analyse “Section 10” Data from Importers	200-264	151
	Execute License Agreement with Major Fuel Licensees	10-12	0
	Monitoring and post Fuel Prices and analysis on a fortnightly basis	30-52	108
	Bi-annual market review and report submission on adequacy of regulation and state of competition in relevant markets	2-6	2
	Establish guidelines and criteria for new entrants to relevant Fuels Market	1-2	1
	Evaluate and report on adequacy of fuel mix bi-annually	1-2	1
	Function as Focal Point for CEIS/SRC providing data as required	10-13	10
	Represent government on Intl. Fuel Regulatory Affairs	2-3	2
	Annual engagement with Licensees	12-20	12
	Enforce Regulatory Breaches	20-40	20
	Regulatory Investigations	2-5	2
	Consumer & Public Awareness and Engagement on Fuel Sector	4-6	4



100 %

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

Timelines



95 %

Relevant analysis, research, assessment to be carried out within adequate timeframe to allow OfReg 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



ICT

Licence Renewals and Expansions

In 2021, OfReg renewed the licences of the four large telecommunications companies operating in the Cayman Islands, promoting certainty and predictability in the market and allowing for the promotion of investment in sustainable infrastructure. In addition to the renewal of licences, OfReg issued approval to an existing operator to expand their service offerings to become a third mobile service provider. The licensee proposes to launch a new fixed and mobile service network to support 4G LTE and 5G services.

Internet Exchange Points (“IXPs”) Framework

Following a consultation process relating to the licensing of the regulatory framework to support Internet Exchange Points (“IXPs”) in the

Cayman Islands and having considered industry best practices and the views of respondents to the related consultation, OfReg issued a determination which included the regulatory framework on IXPs and local peering options and obligations. Following this, OfReg issued the first IXP Licence.

The operation of the IXP provides a peering option to Internet Service Licensees to connect via the IXP to ensure that local internet traffic remains within the jurisdiction rather than being routed overseas. In addition to a peering service, the IXP can also onboard new attractive content and value-added services to its members.

Cable Landing Station Licensing Framework

In 2021, OfReg developed improvements to the Cable Landing Station licensing and regulatory framework to improve resiliency, protect critical national infrastructure, promote innovation, and facilitate economic and national development. OfReg intends to conduct a public consultation on the framework for implementation in 2022.



Significant Market Power (“SMP”) Assessment

OfReg restarted the SMP review of the ICT sector in 2021. This important piece of work will appropriately define the economic markets within the ICT industry, identify dominant players, and allow for the development and application of rules to ensure fair competition to protect the consumers’ interests. This project is slated to be completed in 2022.

Dispute Resolution

OfReg made significant progress in resolving a dispute between two licensees regarding access to infrastructure sharing. The team completed an investigation into the matter and is on track to issue a final determination by the second quarter of 2022. The determination will mark a milestone in better clarifying OfReg’s expectations in relation to how licensees are expected to work together with respect to infrastructure sharing. The determination will also include several directions to the parties leading to more internet service options for consumers and will facilitate licensees’ access infrastructure faster for rolling out their networks and services.

Spectrum Management

Following its obligations to ensure efficient use of the electromagnetic spectrum, OfReg conducted a utilisation and fee payment audit of spectrum assignments and returns. As a result of the foregoing, we were able to recover approximately 890Mhz of spectrum in several key

areas that can be used to deliver fifth-generation (5G) highspeed networks and space allocated to the public for unregulated use. Additionally, other areas of unauthorised use of spectrum were identified, and licensees were notified in such instances and made to pay for such use or migrate out of those areas going forward.

Having received reports of spectrum interference between two mobile providers, which contributed to poor connectivity and quality of service, OfReg vetted and oversaw a project to reassign/migrate spectrum frequencies between the operators to eliminate the interference.

Collection and verification of licence fees

OfReg recovered over \$140k in outstanding licence fees. Additionally, several outstanding Audited Financial Statements and quarterly reports were submitted as a direct result of the initiatives. Work remains ongoing to bring and keep all licensees in compliance.

Collection and Verification of Licence Fees



	Target	Actual
Number of licence fees processed per year	50-70	57

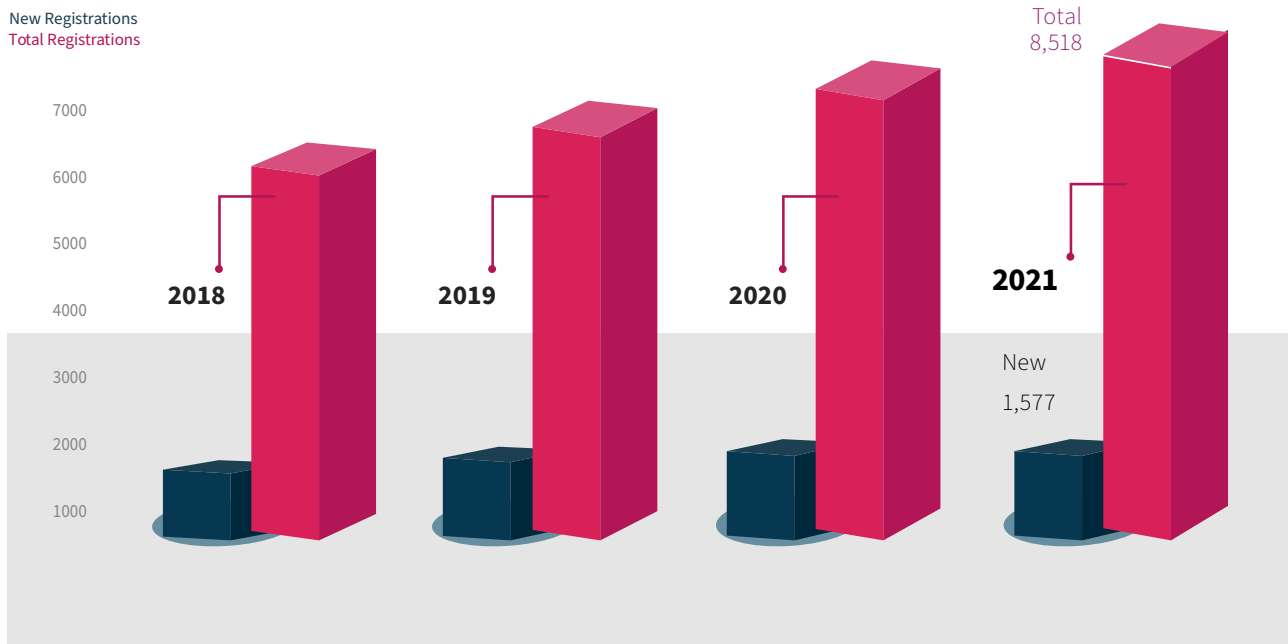
Coastal Radio Licence

In support of the establishment and further capacity development of the Cayman Islands Coast Guard, OfReg issued its first Coastal Radio Licence to the Coast Guard. The Coastal Licence will assist in providing the marine community with a variety of distress, search and rescue, navigational, business, and personal communication needs for vessels.

.ky Domain Management

OfReg made significant positive steps to improve the profile and attractiveness of the country's .ky domain by completing amendments to the existing Registry Services Agreements. The amendments pave the way for the onboarding of new registrars and will support the launch of a .ky flash sale campaign programme, which will highlight the value of the .ky domain and ultimately lead to the release of attractive high-value domain names that are currently not for sale.

.KY DOMAIN SALES & REGISTRATIONS



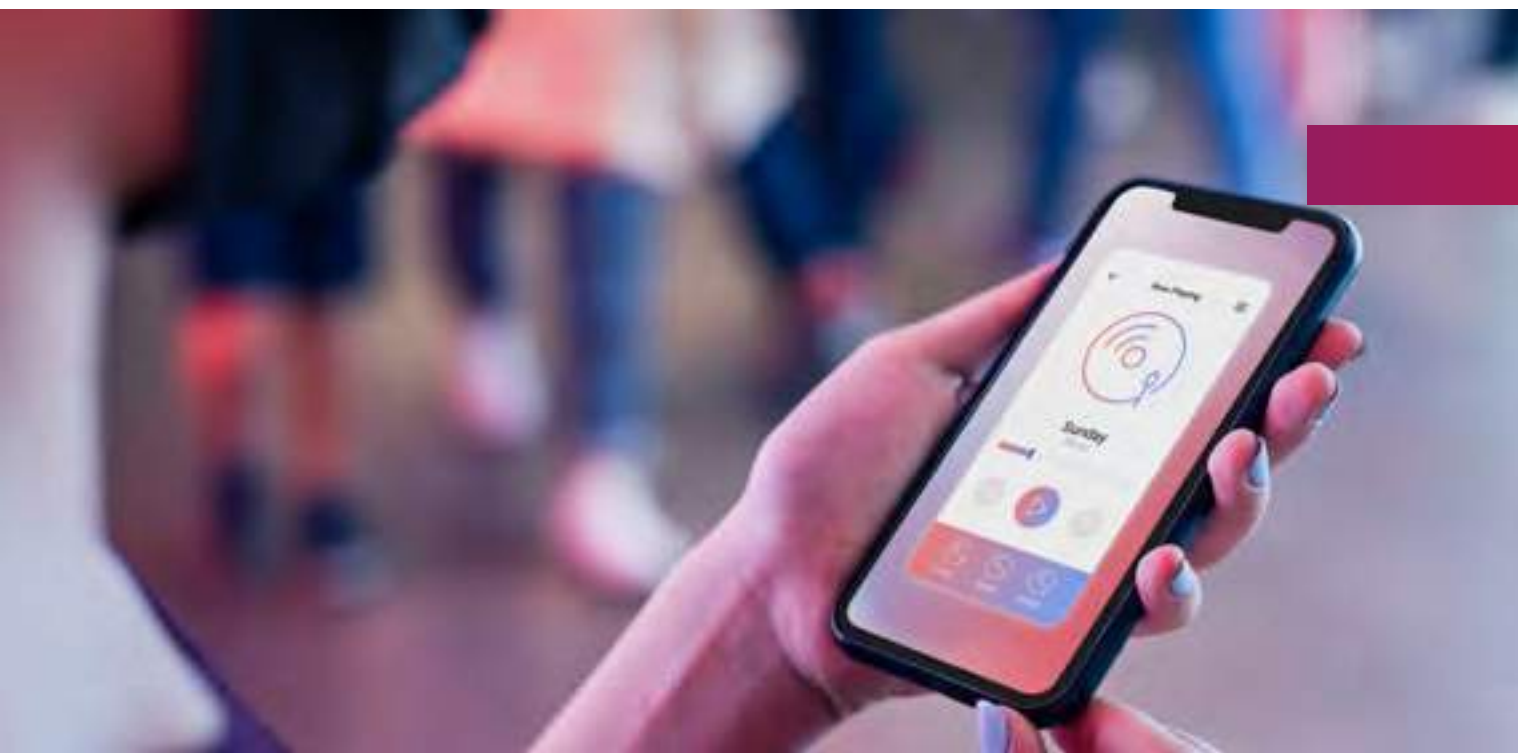
Internet Corporation for Assigned Names (“ICANN”) Policy Development

The ICT Team represented the Cayman Islands as a member of The Governmental Advisory Committee (GAC) of ICANN in a series of virtual policy meetings. The ICT Team made meaningful contributions on the various topics and areas across the ICANN ecosystem, including but not limited to:

- Subsequent Rounds of New General Top-Level Domains (gTLDs),
- Domain Name Serve Abuses (DNS),
- Competition,
- Consumer Trust, Consumer Choice and Access to Under-Served Communities,
- Stability and Resiliency (CCT and SSR2) Recommendations, and
- Registration Data/WHOIS/General Data Protection Regulation Matters.

Support of Cayman’s Young Professionals via the International Institute of Communications (“IICs) Future Leader’s Competition

OfReg supported the International Institute of Communications (IIC’s) Future Leaders’ Competition which encourages and rewards young persons who show original thought in the areas of communications and policy. Support was extended through a small financial contribution, dissemination of competition details locally and the creation of a promotional video to encourage local participation. The competition provided international exposure to ambitious young professionals and encouraged submissions from across the globe.





Water

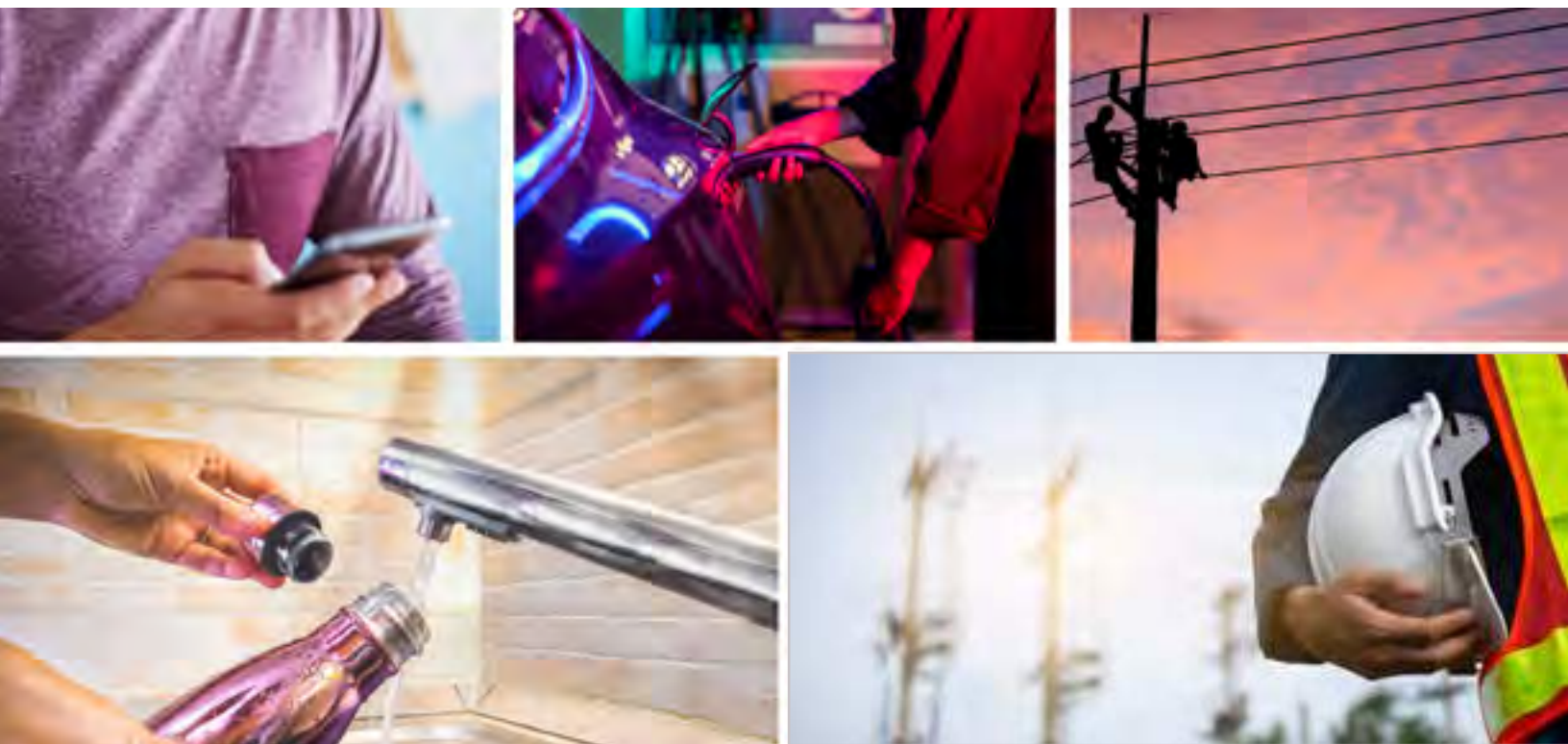
Water Sector Regulations

OfReg resubmitted draft amendments to the Water Sector Regulation Act and several draft regulations addressing administrative penalties, licences & fees, and production & supply to the Ministry (Border Control & Labour) for Cabinet’s approval. When enacted, these legislative and regulatory changes will enhance the regulatory framework and establish a long-term funding mechanism for the Water Sector, thereby enabling OfReg to effectively execute its regulatory activities for water service providers and wastewater operators.

Regulation of the Cayman Water Company (“CWC”)

OfReg continues to make progress in this sector, emphasising the completion of licence negotiations with CWC. In 2021, OfReg received the report on the Cost-of-Service Study (COSS) of CWC to assist with the determination of new water rates and establish a reasonable return on investment for the grant of a new Water Producers and Supply Licence.

During the year, OfReg reviewed and rejected an application from CWC for an annual rate increase for 2021. OfReg also reviewed and subsequently approved CWC’s CIP for the replacement of its West Bay desalination plant to continue to provide dependable and reliable water service to its customers.



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

Section 42 of the URC Law requires the Auditor General to report to the Board of Directors every three years on OfReg's performance against its annual plan. The Auditor General's Office concluded the three-year review of OfReg's performance in June 2020. Sixteen recommendations were made to address deficiencies and challenges OfReg faced.

The Public Accounts Committee (PAC) met to consider the Auditor General's Performance Audit Report in July 2020. Five Public Hearings were held with several 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 twenty-three recommendations.

Of the thirty-nine recommendations made in total, eleven have been completed by OfReg; nine have been submitted to the Ministry (Border Control and Labour) for submission to the Cabinet as legislative change requests; sixteen are in progress. They are expected to be completed within the 2022 financial year, and three fell under the remit of Government decision-making.

Financial Performance & Analysis

Summary of PMFA Ownership Targets

Pursuant to the PMFL, the following ownership targets for OfReg were agreed between Cabinet and the Board for the 2021 financial year.

Ownership Agreement Targets for Fiscal year January – December 2021

Target	Deadline	Status
To establish a 90-day operating expenses reserve for the organisation.	31 December 2020	The General Reserve has been established and a policy to govern the use of the General Reserve has been approved.
To identify and complete the necessary corporate governance policies and procedures required to enable OfReg 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. OfReg 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	OfReg signed a lease on 30 September 2021 and relocated in Q4 2021.
To develop and implement an employee performance management system to support continued employee growth and succession planning.	30 June 2020	An office wide performance management system was implemented in Q4 2021.

Financial Targets

Pursuant to subsection 52(2)(c) in the PMFL, the tables below show the execution against agreed financial targets for the 2021 financial year.

Financial Performance Measure		2021 Budget 12 Months \$ 000's	2021 Actual 12 Months \$000's
#			
1.	Revenue from Cabinet	1,758	1,714
2.	Revenue from ministries, portfolios, statutory authorities and government companies	Nil	Nil
3.	Revenue from other persons or organisations	4,874	4,069
4.	Other expenses	5,516	4,646
5.	Net Surplus/Deficit	1,116	1,137
6.	Total Assets	6,194	5,950
7.	Total Liabilities	300	1,549
8.	Net Worth	5,894	4,401
9.	Cash flows from operating activities	1,254	-1,113
10.	Cash flows from investing activities	-649	-3,191
11.	Cash flows from financing activities	-	-
12.	Change in cash balances	605	-4,304

Financial Performance Ratio	2021 Budget 12 Months \$ 000's	2021 Actual 12 Months \$000's
#		
13. Current Assets:Current Liabilities	18.35:1	19.22:1
14. Total Assets: Total Liabilities	20.65:1	3.84:1

Human Capital Maintenance	2021 Budget 12 Months	2021 Actual* 12 Months
#		
15. Total full time equivalent	28	24
16. Staff turnover (%)	Nil	Nil
17. Average length of service (Number of Years)		
18. Senior management	5.98	5.88
19. Professional staff	6.71	6.24
20. Administrative Staff	13.13	13.13
21. Significant changes to personnel management	None	None

Physical Capital Measures	2021 Budget 12 Months	2021 Actual 12 Months
#		
22. Value of total assets	6,194	5,950
23. Asset replacements: total assets	0.004:1	0.009:1
24. Book value of depreciated assets: initial cost of those assets	0.41:1	0.23:1
25. Depreciation: Cash flow on asset purchases	0.36:1	0.364:1
26. Changes to asset management policies	None	None

Major Capital Expenditure Projects		2021 Target	2021 Actual
		\$	\$
#			
27.	Leasehold Improvements	-	13,887
28.	Fuel Analyzer	75,000	-
29.	IT Equipment	25,000	46,993

Operating Statement		2021 Budget	2021 Actual
		12 Months	12 Months
		\$ 000's	\$000's
#			
30.	Revenue	6,632	5,783
31.	Operating Expenses	5,516	4,646
32.	Net Surplus/(Deficit)	1,116	1,137

Balance Sheet		2021 Budget	2021 Actual
		12 Months	12 Months
		\$ 000's	\$000's
#			
33.	Assets	6,194	5,950
34.	Liabilities	300	1,549
35.	Net Worth	5,894	4,401

Statement of Cash Flows	2021 Budget 12 Months \$ 000's	2021 Actual 12 Months \$000's
#		
36. Net cash flows from operating activities	1,254	(1,113)
37. Net cash flows from investing activities	(649)	(3,191)
38. Net cash flows from financing activities	-	-

Transaction	Amount for 2021 Target \$	Amount for 2021 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	101,702
46. Remuneration Payments made to Senior Management	1,097,676	1,010,789

	Number for 2021 Target	Number for 2021 Actual*
#		
33. No of Key Management Personnel	7	6
34. No of Senior Management	7	7

* One staff member seconded from Cabinet Office

2021 Annual Report

The Utility Regulation and Competition Office

This is the 2021 Annual Report for the Utility Regulation and Competition Office (the 'Office' or 'OfReg') for the period 1 January 2021 to 31 December 2021.

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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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