

OF 2017 - 3 - Consultation  
Draft 2018 Annual Plan  
and Draft 2018-2022 Strategic Plan

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UTILITY REGULATION AND COMPETITION OFFICE

Launch Date: 18 September 2017

Closing Date for comments: 19 October 2017



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## Table of Contents

A. INTRODUCTION.....	3
B. LEGAL FRAMEWORK.....	5
C. 2018-2022 STRATEGIC PLAN .....	19
D. 2018 ANNUAL PLAN .....	19
E. HOW TO RESPOND TO THIS CONSULTATION .....	20

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## A. Introduction

1. 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.
2. The Office operates under the brand name '*OfReg*' and seeks to be predictable, to encourage competition where appropriate and feasible; to champion sustainability and innovation across markets; and to contribute to economic and social goals of the Cayman Islands.
3. Accordingly, the Office's **Vision** 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”.*

4. 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 realize 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;*

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- *Serve the public interest through a commitment to professionalism, diversity, mutual respect and ethical conduct.”*
5. The Office was established by **Section 4(1)** of the Utility Regulation and Competition Law 2016 (the '**URC Law**') and derives its authority and functions in the various sectors through a variety of Laws, the principal ones being the Electricity Sector Regulation Law 2016 (the '**ESR Law**'), Information and Communication Technology Law (2017 Revision) (the '**ICT Law**'), the Dangerous Substances Law (2017 Revision) (the '**DS Law**'), Fuels Sector Regulation Law 2017 (the '**FSR Law**') and the Water Sector Regulation Law 2017 (the '**WSR Law**').
  6. To promote transparency and accountability, **Part 6** of the URC Law sets out the Office's statutory obligations for reporting performance.
  7. **Section 41(2)** in Part 6 of the URC Law requires the Office to publish an Annual Plan containing:
    - the strategy for meeting sectoral regulation for the forthcoming year;
    - key performance indicators for measuring the Office's performance for the forthcoming year;
    - the Office's budget for the forthcoming financial year that includes the level of remuneration for executive and non-executive members; and
    - the Office's broad priorities for the two years following the forthcoming year.
  8. **Section 41(4)** requires the Office to publish a Five-Year Strategic Plan for the sectors for which it has responsibility.
  9. The attached draft **2018 Annual Plan** and draft **2018-2022 Strategic Plan** are prepared pursuant to **Section 41** of the URC Law. The intention is that both documents, once finalized and along with any applicable Government policy, will guide the Office's work from 2018 through 2022 in each of the sectors for which it has responsibility.

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## B. Legal Framework

### Principal Statutory Functions

10. The principal statutory functions of the Office are set out in **Section 6(1)** of the URC 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.*

11. To promote transparency and accountability, **section 42** of the URC Law provides for the external review and evaluation of the Office's short- to medium-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;*

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## Five-Year Strategic Plan and Annual Plan

12. **Section 41** of the URC Law requires the Office to publish a Five-Year Strategic Plan and 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.*

*(3) No later than six months after the end of each financial year, the Office shall prepare and publish a detailed report of the performance of each of the sectors for which it has responsibility.*

*(4) The Office shall, within twelve months of the coming into force of this section, prepare its five-year strategic plan for the sectors for which it has responsibility and shall update the plan every three years.*

## Sectoral Statutory Functions

13. As a multi-sector regulator, the Office also has specific duties and functions outlined in each of the sector laws.

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## ESR Law

14. In the electricity sector, the ESR Law sets out at **Section 9** the powers and functions of the Office.

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

*(2) Without prejudice to subsection (1), the principal functions of the Office shall include –*

- a) to monitor and regulate tariffs, rate structures and terms and conditions for electricity transmission and distribution charged to consumers by T&D licensees in accordance with the respective RCAM;*
- b) to review and approve other rates offered by T&D licensees outside of the respective RCAM and available at the option of the consumer;*
- c) to monitor and regulate the rate, price, terms and conditions of electricity generated by Generators and supplied to T&D licensees for reward;*
- d) to establish and enforce regulations, processes and licence standards regarding the granting of licences;*
- e) to grant, modify or renew licences for generation –
  - i. for additional electricity generation in the context of the generation solicitation process;*
  - ii. where the Office is satisfied that it is economic to extend the life of the generating unit or units of a Generator held under an existing generation licence;*
  - iii. from alternative or renewable sources of energy; or*
  - iv. under section 26(4);**
- f) to solicit additional generation capacity and conduct the generation solicitation process;*
- g) to grant, modify or renew a T&D licence to provide a T&D system in each of the islands;*
- h) subject to Section 27, to conduct the tender process for applicants for any new T&D licence to provide a T&D system, and to select the successful tender;*
- i) to monitor and regulate the divestiture of T&D assets when required by this Law;*
- j) to monitor and regulate the divestiture of generation assets when required by this Law;*

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- k) to review and approve rates for backup electricity supply and for interconnection charged by a T&D licensee to another person in accordance with this Law;*
  - l) to review and approve any PPA;*
  - m) to review and approve adjustments to rates charged for street lighting, based on cost justifications prepared by a T&D licensee and submitted from time to time;*
  - n) to review and approve the charges associated with generation that are passed through to the consumer by a T&D licensee;*
  - o) to monitor and regulate all licensees in a manner that –
    - i. promotes sustainable competitive practices;*
    - ii. provides an opportunity for a fair and reasonable return to licensees; and*
    - iii. protects the economic interests and well being of consumers by keeping tariffs and rate structures as low as can reasonably be achieved;**
  - p) to review and approve annually the Capital Investment Plans for all licensees; and*
  - q) to authorise a T&D licensee to purchase renewable or alternative forms of energy from consumers who generate electricity for self-supply subject to the requirements of the Electricity Law (2008 Revision) and regulations made thereunder.*

*(3) The Office shall also –*

- a) upon receipt of any direction given by the Cabinet under section 11, develop and implement such processes and arrangements, as may be necessary or desirable to give effect to such directions;*
- b) engage in a public consultation process on the procedures to be adopted by the Office to implement the processes and arrangements developed under paragraph (a);*
- c) advise the Cabinet on the effect of electricity generation or transmission and distribution upon the environment, having regard to sustainability and international agreements on the environment to which the Islands are or may become a party;*
- d) formulate, publish and implement such rules as the Office may consider necessary after the public consultation process referred to in paragraph (b), taking account of matters raised in the public consultation process; and*



e) *advise the Cabinet on the development and regulation of the electricity industry in the Islands and on the exercise of the functions of the Cabinet under this Law.*

(6) *Without prejudice to subsection (5), the Office shall have the power to establish environmental standards and to ensure that licensees*

- a) *comply with planning standards; and*
- b) *take effective measures to comply with safety and environmental standards.*

### *ICT Law*

15. The ICT Law sets out at **Section 9** the Office's powers and functions in the ICT sector.

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

(2) *For the purposes of this section, the Office shall -*

- a) *allocate the electromagnetic spectrum for facilities and specified services within the Islands, or between the Islands and elsewhere;*
- b) *determine methods for assigning the electromagnetic spectrum;*
- c) *issue licences authorising the use of specified portions of the electromagnetic spectrum, including those used on any ship, aircraft, vessel or other floating or airborne contrivance or spacecraft registered in the Islands; and*
- d) *institute procedures for ensuring the compliance by licensees with any obligations regarding the use of the electromagnetic spectrum, imposed by or under the licence, this Law or any regulations made hereunder.*

(3) *Without prejudice to subsections (1) and (2), the principal functions of the Office are –*

- a) *to promote competition in the provision of ICT services and ICT networks where it is reasonable or necessary to do so;*
- b) *to advise the Minister on ICT matters, including compliance with Government's international obligations, market liberalisation and competitive pricing –*

- i. to encourage the maintenance of a sufficient plurality of providers of different television and radio services;*
  - ii. to promote the application, in the case of all television and radio services, of standards that provide adequate protection to members of the public from the inclusion of offensive or harmful material in such services;*
  - iii. to promote, through public education, research and development initiatives, ICT in the Islands;*
- c) to investigate and resolve complaints from consumers and service providers concerning the provision of ICT services and ICT networks;*
- d) to determine the categories of licences to be issued under this Law and the Electronic Transactions Law (2003 Revision);*
- e) to license and regulate ICT services and ICT networks as specified in this Law and the Electronic Transactions Law (2003 Revision);*
- f) to collect all fees, including licence fees, and any other charges levied under this Law or the Electronic Transactions Law (2003 Revision) or regulations made thereunder;*
- g) to resolve disputes concerning the interconnection or sharing of infrastructure between or among ICT service providers or ICT network providers;*
- h) to promote and maintain an efficient, economic and harmonised utilisation of ICT infrastructure -*
  - i. to promote the proper functioning of the critical ICT infrastructure;*
  - ii. to set up, manage and control the Cayman Islands cyber incident response team whose role it is to promote and enhance the security and resilience of the critical ICT infrastructure, and maintain an effective, efficient and innovative Internet environment;*
  - iii. to develop and maintain cyber security strategies that enhance and support the security and resilience of the national and critical ICT infrastructure towards increased economic prosperity, safe and secure business and innovation;*
  - iv. to facilitate collaboration between the Government, other governments and agencies in support of cyber security information sharing and cyber security strategies towards local and global efforts in combating cyber threats;*

- i) to be the sole person appointed under this Law to be the Administrative Point of Contact and the only person responsible for the management and control of the top level of the global Internet Domain Name System held in trust for the Internet and the Islands;*
- j) to act on any matter referred to it by the Minister or the Chief Executive Officer of the Office appointed under the Utility Regulation and Competition Law, 2016; and*
- k) to carry out such other functions as are conferred on the Office by or under this Law or any other law.*

*(4) The Office may regulate the rate, prices, terms and conditions of any ICT service or ICT network that is required to be license where the Office is of the opinion that it is in the interests of the public to do so.*

16. The Office also has enforcement functions in the ICT sector under the Electronics Transaction Law (2003 Revision).

#### *FSR Law*

17. The Office's duties and functions in the fuel sector are governed by **section 5** of the FSR Law.

*5. (1) The Office shall supervise the fuel sector in accordance with its jurisdiction under the Utility Regulation and Competition Law, 2016 and in doing so, the functions of the Office are as follows -*

- a) to implement policy objectives set out in directions issued by Cabinet pursuant to the Utility Regulation and Competition Law, 2016;*
- b) to promote fair competition in the fuel sector;*
- c) to provide consumer protection in the fuel sector;*
- d) to conduct investigations required under this Law;*
- e) to monitor the prices of fuel;*
- f) to promote and facilitate the introduction of alternative fuels into the economy;*
- g) to discharge duties conferred on it by this Law or any other law;*
- h) to appoint the Chief Petroleum Inspector pursuant to the Dangerous Substances Handling and Storage Law, 2003;*
- i) to ensure that the fuel supplies of the Islands are adequate, reliable, efficient and economical for the Islands and for consumers;*
- j) to establish and keep under review procedures and processes determined by the Office to be necessary to assure public*

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*safety and a healthy and safe environment in all regulated premises;*

- k) to prevent discrimination against, or preferential treatment of, any person in the fuel sector, and to prevent monopolistic control of any segment of the chain of supply of fuel; and*
- l) to minimise barriers to entry for new participation and investors in the fuel markets.*

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

- a) may make administrative determinations relating to issues arising in the regulation of the business of the fuel sector;*
- b) shall monitor global fuel markets in order to understand the market forces which impact on the importation and pricing of fuel delivered to the Islands;*
- c) shall regulate the operations and trade practices of the fuel sector, having regard to the ecological and environmental needs of the Islands;*
- d) where appropriate and, if considered to be in the public interest, may mandate and regulate infrastructure sharing;*
- e) shall facilitate investments in the fuels sector to secure efficiency, competitive prices and growth in the economy generally;*
- f) shall maintain a data base of all fuels imported into the Islands, and, as near current as possible, an inventory of bulk storage;*
- g) shall conduct market analyses to assess the effectiveness of competition in the markets;*
- h) shall provide reports to the Cabinet on the effectiveness of competition in the fuel market;*
- i) shall take such action as is required under this Law and any other law to secure the safety of regulated premises;*
- j) shall collect fees due under this Law and the Dangerous Substances Handling and Storage Law, 2003; and shall perform any and all such acts as may be necessary to carry out the purposes of this Law.*

### *DS Law*

18. The duties and functions of the Office's Board of Directors pertaining to the fuel sector are also governed by **sections 6 and 7** of the DS Law.

*6. The Board shall be responsible for –*

- 
- a) *Issuing operating permits for regulated premises and permitted vehicles that are subject to this Law and regulations under this Law;*
  - b) *hearing appeals against decisions made by the Committee and by the Chief Fuels Inspector in accordance with regulations made under this Law; and*
  - c) *carrying out such other functions as are specified in this Law or in regulations made under this Law;*

7. (1) *The Board may appoint a Fuels Advisory Committee to advise the Board on -*

- a) *matters relating to the operations of this Law;*
- b) *matters relating to the functions of the Board under this Law;*
- c) *public safety and the protection of the environment; and*
- d) *any other matter which may reasonably be referred to it by the Board.*

19. **Section 15** of the DS Law also outlines the duties and functions of the Office's Chief Fuels Inspector. While the duties and functions set out in **section 15** of the DS Law are not directly those of the Office, the Chief Fuels Inspector is a member of the Board of the Office and his/her duties and functions are relevant to those of the Office.

15. (1) *The Chief Fuels Inspector is authorized to take affidavits for any purpose relating or incidental to the exercise of his power, authority or discretion or the discharge of his functions.*

(2) *The Chief Fuels Inspector's duties and responsibilities also include*

–

- a) *drafting operating permits;*
- b) *acting on behalf of the Board as its sole enforcement authority in discharge of its functions under this Law;*
- c) *assessing and collecting fees for operating permits;*
- d) *as a condition of an operating permit, at regular intervals during the period of such permit, inspecting those regulated premises which are storage terminals, utility companies commercial bulk storage facilities and retail outlets to assess –*
  - i. *documented safety and environmental information relating to chemical hazard information, equipment design information, design codes and standards employed by regulated premises;*

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- ii. emergency preparedness plans, co-ordination and drills;*
  - iii. standardised employee training programmes at regulated premises;*
  - iv. the implementation of safety and environmental management systems at regulated premises;*
  - v. formalised maintenance programmes with schedules and documented results of inspections or tests; and*
  - vi. the proper management of pipeline operations including proper marking, corrosion protection and release detection features;*
- da) as a condition of an operating permit, at regular intervals during the period of such permit, inspecting all regulated premises to –
- i. assess the integrity of containers, pipelines and permitted vehicles;*
  - ii. assess the condition of secondary containment dikes, berms or impoundments;*
  - iii. assess spill reporting with root-cause investigation and corrective action;*
  - iv. test the reliability of release detection equipment and emergency controls systems;*
  - v. assess the safety of transporting fuel to and from the premises; and*
  - vi. assess the proper management of above and underground storage tanks including secondary containment, release detection and inventory control systems;*
- e) *participating as a member of the Emergency Response and Marine Spill Response Teams;*
- f) *overseeing the preparation of emergency plans for regulated premises other than private residential homes;*
- g) *attending and reporting to the ministry on the effectiveness of emergency plan exercises and arranging for regular exercises at regulated premises other than private residential homes;*
- h) *maintaining a register and location map of all permitted premises including above and below ground pipelines carrying dangerous substances;*
- i) *being available as needed for all planning applications involving premises at which dangerous substances are handled or stored;*

- j) *being available to provide expert advice to other government agencies on emergency preparedness plans and the safe handling storage, transportation and use of dangerous substances;*
- k) *developing plans and budgets as may be required for the carrying out of the functions under this Law;*
- l) *reporting periodically to the Board on the storage and handling of dangerous substances in the islands with respect to progress made, significant lapses and future plans; and*
- m) *any other responsibility or duty imposed on him by the Law or by regulations under this Law.*

*(3) The Board shall submit the reports of the Chief Fuels Inspector made to it under subsection 2(1) to the Chief Officer of the Ministry as soon as possible after receiving such reports.*

## *WSR Law*

20. The Office's functions in the water sector are prescribed under the WSR Law, the Water (Production and Supply Law) 2017 and the Wastewater Collection and Treatment Law 2017. The Office's principal duties and functions are however provided at **section 3** of the WSR Law.

*3. (1) Subject to this Law and any other Law, the Office has power to do all things necessary or convenient to be done for or in connection with the performance of its functions under this Law.*

*(2) Without prejudice to subsection (1), the principal functions of the Office include doing all things necessary or convenient to be done for or in connection with regulating service providers, including -*

- a) *settling, monitoring and regulating the tariffs, rate structures, and terms and conditions for water and wastewater services charged to consumers by service providers in accordance with the respective RCAM set out in administrative determinations or licences;*
- b) *reviewing and approving other rates offered by service providers outside of the respective RCAM set out in administrative determinations or licences or available at the options of the consumer;*
- c) *establishing, monitoring, reviewing or amending service standards provided for under this Law or in any licence granted or administrative determination issued by the Office under this Law;*

- d) *granting, modifying, renewing, suspending or revoking licences issued under this Law or the Water Laws;*
- e) *monitoring and regulating service providers in a manner that provides an opportunity for a fair and reasonable return to service providers, and protects the economic interests and wellbeing of consumers by facilitating an environment that mimics as far as is possible competitive behavior;*
- f) *carrying out the functions and duties prescribed having regard to the need to regulate and supervise service providers in such a manner as to ensure that all reasonable demands by consumers for water and wastewater service, or both, are satisfied;*
- g) *reviewing and approving annual, medium and long term investment plans accordingly submitted by service providers;*
- h) *recommending to the Minister charged with responsibility for water, the making of regulations under this Law and the water laws;*
- i) *establishing and enforcing administrative determinations, including administrative determinations prescribing the regulatory framework for the Authority and any other service provider;*
- j) *establishing and enforcing regulations, as well as the processes regarding the granting of licences under the Water Laws;*
- k) *reviewing and advising the Minister charged with responsibility for water on national development plans for water and wastewater services that are prepared by the Authority pursuant to its functions under the Water Authority Law (2011 Revision);*
- l) *promoting the development and deployment of new technologies in water and wastewater services where such technologies will in the long term bring economic benefits to the economy of the Islands and financial advantages to consumers;*
- m) *facilitating access to potable water supply for rural customers;*
- n) *protecting the disadvantaged and the elderly in the provision of water and wastewater services;*
- o) *promoting the use of renewable energy and energy efficiency in the provision of water and wastewater services including initiatives at the customer level;*
- p) *promoting, through public education, research, and other initiatives sustainable development of the natural resources; and*
- q) *promoting the proper functioning of the critical national infrastructure.*



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(3) *In respect of the grant of concessions pursuant to the Water Laws, the Office -*

- a) *may advise Cabinet on the granting of concessions;*
- b) *shall issue licences to concessionaires; and*
- c) *in carrying out the functions and duties imposed, and exercising the powers conferred, by paragraphs (a) and (b), shall have regard to –*
  - i. *the need to ensure that applicants and concessionaires are capable of financing the activities they are, or seek to be, licensed to undertake;*
  - ii. *whether concessionaires have promoted or will promote safety, sound environmental practices, technical proficiency and efficiency in the areas of water supply or wastewater services, or both;*
  - iii. *whether concessionaires have ensured or will ensure the continuity, security and qualities of water supply or wastewater services, or both, within the Islands;*
  - iv. *whether the persons directly associated with the application are fit and proper persons to be granted a licence;*
  - v. *whether concessionaires have promoted or will promote the efficient consumption or use of water by consumers; and*
  - vi. *the needs of rural customers, the disadvantaged and elderly.*

## Government Policy

21. While the sector laws themselves provide a framework for the activities and priorities for the Office, each of the 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 and will issue policy directives of a general and specific nature from time to time.
22. In this regard, the Government issued its *National Energy Policy 2017-2037* ("**NEP**")<sup>1</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.

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

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## Government Priorities for 2018-2021

23. Other than the NEP, there are no other formal sector policies from Government to guide the activities of the Office. However, the Office is aware that Government has made the following key priorities for 2018-2021:<sup>2</sup>
- The best education opportunities for children;
  - Achieving full employment for Caymanians;
  - A strong economy to help families and businesses;
  - Access to quality and affordable healthcare;
  - Reducing crime and the fear of crime;
  - Stronger communities and support for the most vulnerable;
  - Ensuring Caymanians benefit from a healthy environment; and
  - Stable, effective and accountable Government.
24. Accordingly, the Office has identified a number of imperatives in each of the sectors which along with its **2018-2022 Strategic Plan** are intended to support the Government's 2018-2021 priorities.
25. Specifically, the Office's imperatives, in line 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.
26. 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 markets, thereby ensuring a better standard of living for all in the Cayman Islands.

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<sup>2</sup> Cayman Islands Government, "Broad Outcomes", *2018 Strategic Policy Statement* (22 August 2017), page 47. <http://www.gov.ky/portal/pls/portal/docs/1/12496493.PDF>

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## C. 2018-2022 Strategic Plan

27. The Office's draft **2018-2022 Strategic Plan**, which attached to this consultation document, sets out the Office's short- to medium-term aims in each of the sectors for which it has a regulatory responsibility.
28. Once finalized, the Office will use the **2018-2022 Strategic Plan** to guide it in achieving its principal regulatory functions, outlined in **section 6(1)** of the URC Law, which are to promote objectives set out in Government policy, promote effective and fair competition, protect the interests of consumers as well as promote innovation and facilitate economic and national development.
29. Pursuant to **section 41(4)** of the URC Law, the Office is statutorily obligated to finalize its first strategic plan within twelve months of coming into force and shall update its strategic plan every three years.
30. Accordingly, the Office intends to finalize its **2018-2022 Strategic Plan** by **18 January 2018**.
31. **All interested parties are encouraged to read the attached document and submit any comments, with supporting evidence.**

## D. 2018 Annual Plan

32. The Office's draft 2018 **Annual Plan** is also attached to this consultation document. The Office intends to use the Annual Plan, once finalized, to guide its work and measure its performance over the next year.
33. The Office's **2018 Annual Plan** is divided into seven main sections:
  - Introduction;
  - Legal Framework guiding the document;
  - Transition to multi sector regulator and key sectoral activities prior to 2018;
  - The Office's sectoral regulatory objectives for 2018;
  - Key performance indicators ("**KPI**") to measure the Office's performance in 2018;
  - The Office's consolidated and sectoral revenue requirements and budgeted expenses for 2018; and
  - The Office's sectoral regulatory priorities for 2019-2020.



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34. Pursuant to **section 41(1)** of the URC Law, the Office is statutorily obligated to finalize its **2018 Annual Plan** by **1 December 2017**.
  35. **All interested parties are encouraged to read the document and submit any comments, with supporting evidence.**

## E. How to Respond to This Consultation

36. All submissions on this consultation should be made in writing, and must be received by the Office by **5 p.m. on 19 October 2017** at the latest.
37. The Office will post any comments received on its website by **5 p.m. on 26 October 2017**.
38. Submissions may be filed as follows:

by e-mail to: [consultations@ofreg.ky](mailto:consultations@ofreg.ky)

or by post:  
Utility Regulation and Competition Office  
P.O. Box 2502  
Grand Cayman KY1-1104  
CAYMAN ISLANDS

or by courier:  
Utility Regulation and Competition Office  
3<sup>rd</sup> Floor, Alissta Towers  
85 North Sound Rd.  
Grand Cayman  
CAYMAN ISLANDS

or by fax to: (345) 945-8284

# Draft 2018-2022 Strategic Plan

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UTILITY REGULATION AND COMPETITION OFFICE

Publication Date: 19 September 2017

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## Table of Contents

<b>A. INTRODUCTION.....</b>	<b>3</b>
<b>B. LEGAL FRAMEWORK.....</b>	<b>4</b>
PRINCIPAL STATUTORY FUNCTIONS.....	4
SECTORAL STATUTORY FUNCTIONS.....	5
<b>C. GOVERNMENT POLICY.....</b>	<b>6</b>
GOVERNMENT PRIORITIES FOR 2018-2021.....	6
<b>D. STRATEGIC FOCUS.....</b>	<b>7</b>
INNOVATION.....	8
UTILITY SERVICES AT LEAST ECONOMIC COST.....	10
<b>E. CONSUMER PROTECTION.....</b>	<b>11</b>
<b>F. DEVELOPING OUR PEOPLE.....</b>	<b>12</b>
<b>G. ORGANISING TO DELIVER ON OUR PLANS.....</b>	<b>14</b>
<b>H. MEASURING OUR EFFECTIVENESS.....</b>	<b>15</b>

## A. Introduction

1. 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.
2. The Office operates under the brand name '*OfReg*' and seeks to be predictable, to encourage competition where appropriate and feasible; to champion sustainability and innovation across markets; and to contribute to economic and social goals of the Cayman Islands.

3. Accordingly, the Office's **Vision** 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".*

4. 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 policies that protect the safety of the public;*
- *Explore innovation that will encourage the efficient and cost-effective delivery of utility services;*
- *Consider the economic and environmental impacts of all matters before the Office;*
- *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."*

5. The Office was established by **section 4(1)** of the Utility Regulation and Competition Law 2016 (the '**URC Law**'). 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 2016 (the '**ESR Law**'), the Information and Communication Technology Law (2017 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 2017 (the '**WSR Law**'), as these may be amended from time to time (together, the '**Sectoral Laws**').
6. To promote transparency and accountability, **Part 6** of the URC Law sets out the Office's statutory obligations for reporting performance.
7. **Section 41(4)** requires the Office to publish a Five-Year Strategic Plan for the sectors for which it has responsibility within twelve months of coming into force and to update the document every three years.
8. In accordance with its statutory obligations under **Section 41** of the URC Law, this document is the Office's **2018-2022 Strategic Plan**. The **2018-2022 Strategic Plan**, along with any applicable Government policy, will guide the Office's short- and medium-term focus in each of the sectors for which it has responsibility.

## B. Legal Framework

### Principal Statutory Functions

9. The principal statutory functions of the Office are set out in **Section 6(1)** of the URC 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.*
10. **Section 41(4)** of the URC Law requires the Office to publish a Five-Year Strategic Plan.

*41. (4) The Office shall, within twelve months of the coming into force of this section, prepare its five-year strategic plan for the sectors for which it has responsibility and shall update the plan every three years.*

11. To promote transparency and accountability, **Section 42** of the URC Law provides for the external review and evaluation of the Office's short- to medium 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

12. As a multi-sector regulator, the Office also has specific duties and functions outlined in each Sector Law which influence the Strategic Plan.
13. In the electricity sector, the powers and functions of the Office are set out at **section 9** of the ESR Law.
14. 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)*.
15. 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 outlines the duties and functions of the Office's Chief Fuels Inspector. While the duties and functions set out in **section 15** of the DS Law are not directly those of the Office, the Chief Fuels Inspector is a member of the Board of the Office and his/her duties and functions are relevant to those of the Office.

16. In the water sector, the Office's principal duties and functions are set out 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) 2017 and the Wastewater Collection and Treatment Law 2017.

## C. Government Policy

17. While the Sectoral Laws provide a framework for the activities and priorities for the Office, each of the Sectoral Laws also include explicit provisions for the Office to implement Government Policy as provided to it in writing, and the Office is mindful that the Government may issue policy directives of a general and specific nature from time to time.
18. In this regard, the Government issued its *National Energy Policy 2017-2037* ("**NEP**")<sup>1</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 2018-2021

19. Other than the NEP, Government has not published any formal sector policies to guide the activities of the Office. However, the Office is aware that Government has made the following key priorities for 2018-2021<sup>2</sup>:
  - The best education opportunities for children;
  - Achieving full employment for Caymanians;
  - A strong economy to help families and businesses;
  - Access to quality and affordable healthcare;
  - Reducing crime and the fear of crime;
  - Stronger communities and support for the most vulnerable;
  - Ensuring Caymanians benefit from a healthy environment; and
  - Stable, effective and accountable Government.

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

<sup>2</sup> Broad outcomes on p. 47 of the [Cayman Islands Government's 2018 Strategic Policy Statement](#).

20. Accordingly, the Office has identified a number of objectives in each of the sectors which along with its **2018-2022 Strategic Plan** are intended to support Government's 2018-2021 priorities.
21. Specifically, the Office's objectives in line 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.
22. In addition, a specific action tasked to the Office by Cabinet, pursuant to **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.

## D. Strategic Focus

23. The Office's duties and functions are clearly defined in the URC Law and each of the Sectoral Laws as well as in Policies issued under the Sectoral Laws.
24. In the discharging of its functions, the Office has a duty to promote objectives set out in Government policy, to promote effective and fair competition, to protect the interests of consumers, and to promote innovation and facilitate economic and national development.
25. The Office is also guided by the importance of balancing the needs of investors and the sectoral utilities, not only in terms of recognising the importance of a fair return to investors but also ensuring that the operating environment is fair for all sectoral providers, while at the same time protecting the interests of consumers.
26. Accordingly, the Office has developed a Strategic Focus that aligns with Government's key priorities for 2018-2021 and which is the foundation for the **2018-2022 Strategic Plan**.

*"To identify opportunities, develop and implement strategies designed to enable the people of the Cayman Islands to have access to and utilise new*

*technologies to improve their lives through increased economic activity; while ensuring that traditional utility services are delivered efficiently and at least economic cost.”*

27. The two pillars of this Strategic Focus are ‘innovation’ and ‘the delivery of utility services at least cost’. Each of these pillars is described in more detail below.
28. Through the application of the Strategic Focus, the Office’s **2018-2022 Strategic Plan** will align with the Government’s *National Energy Policy 2017-2037* as well as Government priorities for 2018-2021, as depicted in Figure 1 below.



**Figure 1: Office’s Strategic Focus**

## Innovation

29. The Office recognises that **section 62** of the URC Law imposes on it an unambiguous mandate to promote *innovation* in each of the sectors for which it is responsible as a means of facilitating economic development.
30. In the electricity sector, the Office’s Strategic Focus will be to:
  - Design and implement the regulatory frameworks to support and give effect to the applicable strategies under the NEP;

- Facilitate and adopt energy efficiency and demand side management programmes (ongoing);
- Promote new and innovative technologies in renewable and alternative energy; and
- Leverage advances in technology in the international electricity sector to advance NEP initiatives and stimulate economic development (ongoing).

31. In the ICT sector, the Office's Strategic Focus will be to:

- establish appropriate mechanisms to facilitate ubiquitous deployment of broadband infrastructure in the Islands (2018);
- maintain and strengthen the Islands' international connectivity (ongoing);
- to ensure protection of Critical National Infrastructure ("**CNI**") in the ICT sector;
- to support emergency communications and the safety of life role played by such systems as 911 and others; and
- to ensure overall national cybersecurity is addressed and enhanced within the ICT sector.

32. In the fuels sector, the Office's Strategic Focus will be to:

- design and implement regulatory measures, if necessary, to facilitate the development of a vibrant competitive fuels market (2018)
- design and implement the regulatory frameworks to support and give effect to the applicable strategies under the NEP (2018); and
- keep under review and promote the introduction of new fuels, e.g. LNG, CNG, Biodiesel, when technically feasible and economically reasonable; and
- develop policy, standards and rules for fuel quality (2018) thereby paving the way for national vehicles emissions standards and testing (2021-2022).

33. In the water sector, the Office's Strategic Focus will be to:

- design and implement the regulatory frameworks to support and give effect to the applicable strategies under the NEP (2018);
- facilitate and adopt energy efficiency and water conservation programmes (ongoing);
- promote new and innovative water production and wastewater treatment technologies (ongoing); and
- leverage advances in technology in the international water and wastewater sectors to advance NEP initiatives and stimulate economic development (ongoing).

34. The Office will pursue initiatives that will make the Cayman Islands attractive as a destination for the development and/or demonstration of new technologies e.g. Ocean Thermal Energy Conversion (“**OTEC**”), Sea Water Air Conditioning (“**SWAC**”) and knowledge-based projects such as software developers, and driverless cars.
35. The Office will also foster Public-Private Partnerships (“**P3s**”) where these can be effective and will engage with other jurisdictions, industry experts, developers, entrepreneurs and investors as necessary to promote and identify opportunities for innovation and the introduction of new technologies in the Cayman Islands.
36. The Office will also promote innovation internally to increase its own effectiveness (e.g., using technology-driven support structures).

### Utility Services at Least Economic Cost

37. The second leg of the Office’s Strategic Focus is *“ensuring that traditional utility services are delivered efficiently and at least economic cost.”*
38. In the electricity sector, the Office’s Strategic Focus will be to:
  - start and complete negotiations for a licence with Cayman Brac Power and Light Company Limited (“**CBP&L**”) (2018);
  - determine strategies to guide resource development as proposed in the approved CUC Integrated Resource Plan (“**IRP**”) (2018-2020);
  - implement NEP electricity strategies (2018-2020);
  - ensure timely *“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); and
  - complete and enact Customer Service Standards (2018).
39. In the ICT sector, the Office’s Strategic Focus will be to:
  - start and complete license negotiations for licenses expiring in 2018, 2019 and 2020;
  - complete market analyses to determine Significant Market Power (“**SMP**”) licensees by market (2018 and 2019);
  - promulgate Market Rules (2018; review 2020); and
  - complete and promulgate a suite of customer service standards (2021).

40. In the fuels sector, the Office's Strategic Focus will be to:
- establish Fuel Standards (interim standards by Q3 2017; refined substantive standards by Q4 2017 – Q2 2018);
  - perform a complete market analysis & promulgate market rules (2017-2018);
  - develop structured platform for analysis of the movement of benchmark prices correlated to local prices (2017-2019);
  - establish a comprehensive licensing regime for importers incorporating the Import Permit and Registration Fees requirements (2018–2019); and
  - strengthen the Dangerous Substances enforcement framework through inspections, testing, certification, calibration, customer service and other compliance programmes (2018–2020).
41. In the water sector, the Office's Strategic Focus will be to:
- complete licence negotiations with Cayman Water Company Ltd. ("**Cayman Water**") (2018);
  - complete and enact the regulatory framework for the Water Authority Cayman ("**WAC**") (2018);
  - complete the transition and inventory of licensees (2019);
  - conduct efficiency and tariff studies for Cayman Water and WAC (2019);
  - design and Implement customer service standards for Cayman Water and WAC (2018-2019); and
  - complete the review of the existing practices and adapt as necessary to complete the procedures for issuance of "Operator licences" (2018).

## E. Consumer Protection

42. The Sectoral Laws impose a duty on the Office to "*protect the best interests of consumers.*" The Laws anticipate that the promotion of competition will be the principal means for enhancing consumer welfare. The Office however recognizes that, where there is market failure, it must intervene in the interests of consumers. Consumer protection is, therefore, a key component of the Office's **2018-2022 Strategic Plan**.
43. As a matter of principle, the Office is determined to commit resources commensurately to consumers' interests as it does to industry interests.

44. To this end the Office will:

- introduce customer service standards and/or guidelines as appropriate for each sector (2021);
- complete and operationalise its internal procedures for handling consumer complaints, appeals and referrals (2018); and
- design and keep under review a consumer education programme to provide information to consumers on their rights and obligations in their relationships with licensees and service providers (start in 2018 and ongoing).

## F. Developing our People

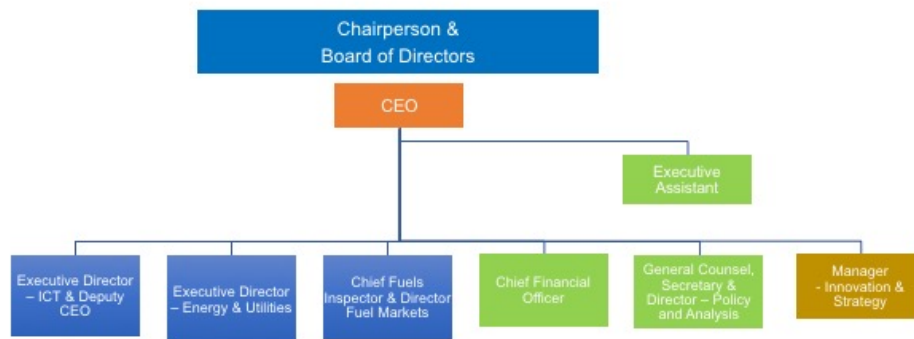
45. The Office notes that it is responsible for critical areas of the economy of the Cayman Islands, and that its decisions and the manner in which it conducts business will impact the growth of the sectors and of the economy, the confidence of investors and the welfare of consumers.
46. Individually, each executive member is the principal sectoral advisor to the Board and the Board is required by **section 23(6)** of the URC Law to have due regard to the advice and to the recommendations of the executive members.
47. The executive members must therefore be able to demonstrate independence, the absence of bias, and the highest standards of integrity and professionalism.
48. The technical support and expertise available to executive members will influence the quality of the Office's outputs and decisions and its credibility as a functional, deliberative and competent regulatory agency. It is therefore important that the Office's professional and technical staff be highly skilled - i.e., "the best in class".
49. Typically, other industries produce or sell products of some kind which translate to definitive measurements of performance or profit. The Office's product is knowledge and its measure of performance is how it applies that knowledge to facilitate efficient markets, the industries' contribution to economic growth, positive customer experiences or the growth of the sectors for which it has responsibility through the facilitation of innovation.
50. As a basic ongoing strategy, the Office shall seek to recruit, train and retain a cadre of generalists who have the skills to deal with the routine regulatory interventions across all sectors such as tariff modelling, financial analysis,



- technical analysis, economic modelling (micro and macro), competition analysis (legal and economic), market analysis and regulatory policy development. In the case of the utility sector, the Office requires skill sets for forecasting demand, capacity planning and performing incident analyses.
51. The Office must also recruit, train and retain specialists in identified areas where the volume and frequency of the work justifies the investment. These could evolve as competition specialists, financial (forensic) analysts and the range of engineering skills identified over time – capacity and investment planning and evaluation; there may also be a need to train sector or lead specialists in each of the markets for which the Office has responsibility.
  52. As a matter of policy and practice, the Office will retain consultants to undertake specific tasks where the unique nature of these tasks cannot justify the retention of these skills on a full-time basis.
  53. Another important consideration to the human resources and skills development/retention strategy is that because of the relatively flat structure there will be limited scope for upward mobility to management.
  54. The strategy and policy should be that professionals are rewarded financially and seen to be upwardly mobile by recognizing their attainment of increased technical skills and competencies derived from continuous professional/skills development. In other words, the Office's career path is less focused on training future managers and more focused on developing the best skill sets regionally and internationally.
  55. Through mentoring and succession planning, the Office will therefore seek to develop and demonstrate its commitment to its staff along the following strategic lines:
    - Embark on a targeted programme to hire appropriately qualified applicants and develop them into professional staff;
    - Commit to investing in our people;
    - Develop specific strategies for staff development and meeting objectives through contracted consultants;
      - In house consultants for general staff development and to fill ongoing skills gaps; and
      - Consulting companies where necessary.

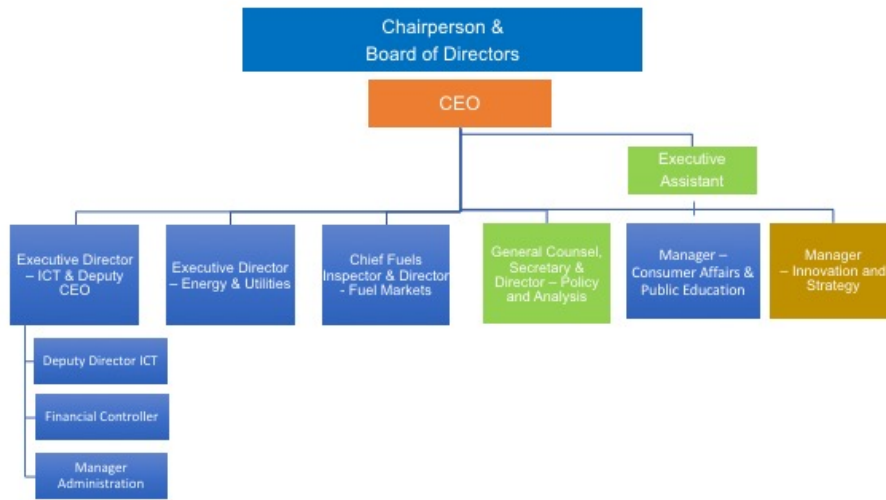
## G. Organising to Deliver on Our Plans

56. The Office has been operating since January 2017 within the organisational structure shown in Figure 2 below.



**Figure 2:** Current Organisational Structure

57. The next stage in the organisation development will be (i) revisit the functions assigned to the Deputy CEO and transfer the reporting relationship of the “Consumer Affairs and Public Education” function to the CEO; and (ii) employ as a first matter of urgency in 2018, the “Manager - Innovation and Strategy”.
58. At the end of 2018, the organisation’s structure is expected to be as represented at Figure 3 below.



**Figure 3:** 2019 Organisational Structure

59. The Office is of the view that the proposed structure will enable the organisation to focus on its key functions and deliverables under the URC Law and the Sectoral Laws; that is the competition/regulatory functions; consumer protection and advocacy, and the innovation responsibility.

## H. Measuring Our Effectiveness

60. This document as well as each annual plan will be used internally to measure the Office’s effectiveness.
61. To further increase transparency and accountability, an external review of the Office’s effectiveness will be performed every three years by the Auditor General.
62. **Section 42** of the URC Law requires the Auditor General to report to the Board on the Office’s (i) performance against its annual plan; (ii) the extent to which its deployment of its financial resources has delivered value for money; and (iii) the impact of its sectoral regulatory decisions when compared to the projected impacts.
63. The Office anticipates its effectiveness in the following broad categories to be scrutinized by the Auditor General in 2020:

- The effectiveness of the Office's decisions based on regulatory impact assessments;
- Consumer protection; and
- Sector competitiveness and contribution to economic and national development.

[end of document]

# Draft 2018 Annual Plan



## UTILITY REGULATION AND COMPETITION OFFICE

Publication Date: 19 September 2017

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## Table of Contents

<b>A. INTRODUCTION .....</b>	<b>3</b>
<b>B. LEGAL FRAMEWORK .....</b>	<b>4</b>
PRINCIPAL STATUTORY FUNCTIONS .....	4
SECTORAL STATUTORY FUNCTIONS .....	6
GOVERNMENT POLICY .....	7
GOVERNMENT PRIORITIES FOR 2018-2021 .....	7
<b>C. OVERVIEW OF ACTIVITIES PRIOR TO 2018 .....</b>	<b>8</b>
TRANSITION TO MULTI SECTOR REGULATOR .....	8
KEY MILESTONES IN 2016-2017 .....	8
<b>D. 2018 SECTORAL REGULATION .....</b>	<b>11</b>
ELECTRICITY SECTOR .....	11
ICT SECTOR .....	12
FUELS SECTOR .....	13
WATER SECTOR .....	13
<b>E. 2018 KEY PERFORMANCE INDICATORS .....</b>	<b>14</b>
<b>F. BUDGET .....</b>	<b>15</b>
2018 REVENUES .....	15
2018 EXPENSES .....	17
EXECUTIVE AND NON-EXECUTIVE REMUNERATION .....	22
<b>G. 2019-2020 PRIORITIES .....</b>	<b>23</b>
ELECTRICITY SECTOR .....	23
ICT SECTOR .....	24
FUELS SECTOR .....	24
WATER SECTOR .....	25

## A. Introduction

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- *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;*
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6. To promote transparency and accountability, **Part 6** of the URC Law sets out the Office's statutory obligations for reporting performance.
7. **Section 41(2)** in Part 6 of the URC Law requires the Office to publish an Annual Plan containing:
  - The strategy for meeting sectoral regulation for the forthcoming year;
  - key performance indicators for measuring the Office's performance for the forthcoming year;
  - the Office's budget for the forthcoming financial year that includes the level of remuneration for executive and non-executive members; and
  - the Office's broad priorities for the two years following the forthcoming year.
8. In accordance with its statutory obligations under **Section 41** of the URC Law, this document is the Office's **2018 Annual Plan** which, along with any applicable Government policy, will guide the Office's work in 2018 in each of the sectors for which it has responsibility.
9. This Plan has been prepared against a background where the Government has adopted a two-year budget cycle as of January 2018. 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.

## B. Legal Framework

### Principal Statutory Functions

10. The principal statutory functions of the Office are set out in **Section 6(1)** of the URC 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.*

11. **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.*
12. 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*
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## Government Policy

18. 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 and specific nature from time to time.
19. In this regard, the Government issued its *National Energy Policy 2017-2037* ("**NEP**")<sup>1</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 2018-2021

20. Other than the NEP, there are no formal sector policies from Government to guide the activities of the Office. However, the Office is aware that Government has made the following key priorities for 2018-2021<sup>2</sup>:
  - The best education opportunities for children;
  - Achieving full employment for Caymanians;
  - A strong economy to help families and businesses;
  - Access to quality and affordable healthcare;
  - Reducing crime and the fear of crime;
  - Stronger communities and support for the most vulnerable;
  - Ensuring Caymanians benefit from a healthy environment; and
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21. Accordingly, the Office has identified a number of objectives in each of the sectors which along with its **2018-2022 Strategic Plan** are intended to support Government's 2018-2021 priorities.
22. Specifically, the Office's objectives in line 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;
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<sup>1</sup> <http://www.gov.ky/portal/pls/portal/docs/1/12374582.PDF>

<sup>2</sup> Broad outcomes on p. 47 of the [Cayman Islands Government's 2018 Strategic Policy Statement](#).

23. 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.

## C. Overview of Activities Prior to 2018

### Transition to Multi Sector Regulator

24. On 16 January 2017, the Office was established pursuant to **section 4(1)** of the URC Law. It commenced operations as a single multi sector regulator for the electricity, ICT and fuels sector, amalgamating the operations of the Information and Communication Technology Authority ("**ICTA**"), the Electricity Regulatory Authority ("**ERA**") and the Petroleum Inspectorate ("**PI**").
25. The remit of the Office was later expanded to include responsibility for regulating the water and fuels sectors. The regulatory functions of the Water Authority (specifically related to the economic regulation of the sector) have been transferred to the Office under a new law, the WSR Law.
26. The Office's regulatory functions in the fuels sector were also expanded by the FSR Law.

### Key Milestones in 2016-2017

#### *Electricity Sector*

27. The following key milestones were achieved during the ERA's 2016 - 2017 financial year which commenced 1 July 2016 and continued through the establishment of the Office:
  - Approval of demand and standby rates for Caribbean Utilities Company Ltd. ("**CUC**") for large commercial customers on Grand Cayman;
  - Approval of electric vehicle rates for CUC customers on Grand Cayman, which incentivize off-peak versus on-peak charging to more economically dispatch off-peak generation resources while aiding to lessen load growth;
  - Approval of opt-out rates for a small number of CUC customers on Grand Cayman reluctant to replace conventional electric meters with advanced metering infrastructure ("**AMI**") smart meters;

- Approval of a 5-year service life extension for CUC’s generating units 19 and 20 postponing the need for new generating capacity;
- Approval for CUC to convert over 7,700 high-pressure sodium (“**HPS**”) street light fixtures on Grand Cayman to more energy-efficient light-emitting diode (“**LED**”) fixtures over a five-year period;
- Approval of CI\$184 million in capital expenditure for CUC over the 2017 - 2021 planning horizon required to maintain reliability and to improve quality of service;
- Reviewed and progressed the development of CUC’s Integrated Resource Plan (“**IRP**”) and actively participated in CUC public presentations on Grand Cayman;
- CUC submitted to the ERA for licensing consideration a draft power purchase agreement (“**PPA**”) and interconnection agreement signed with OTEC International LLC for an offshore 6.25 megawatt (“**MW**”) ocean thermal energy conversion (“**OTEC**”) generating plant to be located in the District of North Side;
- Provided secretarial and advisory support to Government facilitating approval of the National Energy Policy 2017 - 2037; and
- Commissioned a 5 MW utility scale photovoltaic solar plant in Bodden Town, owned and operated by Entropy Cayman Solar Ltd.

### *ICT Sector*

28. The following key milestones were achieved during the ICTA’s 2016 financial year which commenced 1 January 2016 to 31 December 2016:

- Change of ownership of two major telecommunications licensees;
- Introduction of Truth in Advertising Guidelines;
- Cybersecurity - advised core Government on cybersecurity matters;
- Telecom Licensee Chief Executive Officer (“**CEO**”) - after an investigation into the hiring practices of a licensee, it was discovered that the CEO of the telecom company did not legally work for the licensee, but was employed by another entity and held a different work permit than required. ICTA suspended recognition of the executive and instructed the licensee to appoint a new CEO who was legally allowed to perform the function;
- Subsea Cable Connectivity -
  - met with the Department of Environment (“**DOE**”) and provided preferred landing sites, close to CIG property;
  - worked on minimum standards for Core Infrastructure Buildings, and Cable Landings with the Department of Planning;
  - met with the National Roads Authority (“**NRA**”) regarding access to public roadways for connectivity from Cable Landing to “*Meet-me*” Data Centre;

- met with Cayman Finance and discussed the importance of seeking additional connectivity;
  - met with a number of local interested entities, some whom have engaged consulting professional firms overseas to complete feasibility studies and a number of international entities who are in the process of deploying capacity in our region; and
- International Corporation for Assigned Names and Numbers (“**ICANN**”) activities - attended international meetings of ICANN representing the Cayman Islands and the .KY domain name;
  - Drone Licensing - issued public advisory that commercial use of drones would be subject to ICTA licensing;
  - Pole attachment industry group - facilitated meetings and discussions among operators to address issues around communications cable attachments to CUC power poles.
    - issued Consultation 2016-1 & Consultation 2016-2;
    - internal Poles Team formed to work in depth on the entire Poles area;
    - created *Pole Attachment Industry Working Group* to facilitate meetings and discussions among operators to address issues around communications cable attachments to CUC power poles;
  - Draft Internet Service Providers (“**ISP**”) Regulations - proposed regulations to govern terms and conditions of ISP service, reliability, speed, and other characteristics of Internet service. Consultation with the industry to seek input and feedback on the proposed regulations;
  - Industry meetings and discussions with ISP’s to create an Internet Exchange Point (“**IXP**”) locally in Cayman;
  - Universal Service Fund section of ICTA Law brought into force;
  - 911 System Upgrade –
    - created and issued an RFP for a system consultant;
    - evaluated responses and selected a winner;
    - unsuccessfully sought additional funding to pay for the consultant;
    - Changed approach for the project and started to develop an RFP to be issued directly to the system vendors.

### *Fuels Sector*

29. The following key milestones were achieved during the PI’s 2016 - 2017 financial year which commenced July 1, 2016 and continued through the establishment of the Office:

- In collaboration with Ministry and Legal Department, conclude the overhaul of the DS Law including finalization of critical Regulations;
- Mapping of key Dangerous Substances Sites on Land Information Systems and completion of Register of all sites across Grand Cayman;
- Random Fuel Quality testing across all three Islands;
- Key Training for Staff members as part of building capacity and establishment of succession plans;
- Permitting of the entire sector;
- Establish charter towards fair market pricing (ongoing);
- Development of a registration regime for fuel importers;
- Development of interim fuel standards, including the establishment of a technical committee and fuel quality monitoring;
- Preliminaries on identifying critical administrative determinations for the sector;
- Development of price monitoring programme/platform and start of market assessments to facilitate enactment of market rules;
- Finalization of administrative fines; and
- Aggressive public relations and outreach programme on new Laws and requirements.

## D. 2018 Sectoral Regulation

### Electricity Sector

30. The following are the Office's objectives for regulating the electricity sector in 2018:

- Initiate and complete the preparation of a common set of consumer protection regulations for licensees (2019);
- Identify and make recommendations where necessary for new and/or improvements to existing legislation, regulation and/or regulatory policy (ongoing);
- Design and implement the regulatory frameworks to support and give effect to the strategies of the NEP (2020);
- Determine strategies to guide resource development as proposed in the approved CUC 10 year IRP for Grand Cayman (2018-2020);
- Start and complete licence negotiations with Cayman Brac Power and Light Company Limited ("**CBP&L**") (2018);
- Complete and promulgate Customer Service Standards (2018);
- Facilitate and adopt energy efficiency and demand side management programmes (2018-2020);

- Promote new and innovative technologies in renewable and alternative energy;
- Leverage advances in technology in the international electricity sector to advance NEP initiatives and stimulate economic development (ongoing); and
- Complete the transition of the legacy ERA policies and procedures to the Office (2018).

## ICT Sector

31. The following are the Office's objectives for regulating the ICT sector in 2018:

- Initiate and complete a common set of consumer protection regulations for licensees (2019);
- Start licence negotiations for expiring licences in 2018 (2019);
- 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);
- Proactively build relationships with the industry (ongoing);
- Codify and publish of all ICT regulatory processes (2018);
- Complete the transition of the legacy ICTA policies and procedures to the Office (2018);
- Commence formal migration of radio licencing function to ICT sector (2018);
- Implement radio licencing system (2019);
- Publish updated section 23(2) of Regulatory Notice in the Cayman Islands Gazette (2018);
- Finalise development plan for CIRT-KY and initiate Phase 1 of 'stand up' (to set out initial service offerings and outline how CIRT-KY can begin offering support and setting standards to/for public and private sectors);
- Finalise Cyber Security Masterplan;
- Identify and make recommendations where necessary for new and/or improvement to existing legislation, regulation and/or regulatory policy (ongoing);
- Finalise ICT Critical National Infrastructure ("**CNI**") Strategy, including recommendations for critically necessary development (2018);
- Facilitate Subsea cable connectivity (2020);
- Commence implementation of an Emergency Notification System ("**ENS**") physical and logical security, rollout, local operator resiliency and capacity and control (2018);
- Continue public outreach development (ongoing); and



- Undertake spectrum audit to reallocate and redesign use of resource to allow for innovation/development to address amongst other things requirements for 5G mobile service (2018).

## Fuels Sector

32. The following are the Office's objectives for regulating the fuels sector in 2018:

- Promulgate a common set of consumer protection regulations for licensees (2019);
- Identify and make recommendations where necessary for new and/or improvement to existing legislation, regulation and/or regulatory policy (ongoing);
- Complete market analysis and promulgate market rules (2018);
- Implement of comprehensive licensing regime for major permit holders (2018);
- Transition key processes to online/web-based applications (2019);
- Develop a structured platform for analysis of the movement of benchmark prices correlated to local prices (2018-2019); and
- Rollout Industry Certification programme for persons performing work in the sector (safety, compliance and technical certification program) (2018).

## Water Sector

33. The following are the Office's objectives for regulating the water sector in 2018:

- Develop a common set of consumer protection regulations for licensees (2019);
- Identify and make recommendations where necessary for new and/or improvement to existing legislation, regulation and/or regulatory policy (ongoing);
- Complete licence negotiations with Cayman Water Company Ltd. ("**Cayman Water**") (2018);
- Complete and promulgate the regulatory framework for the Water Authority Cayman ("**WAC**") (2018); and
- Complete the review of the existing practices and adapt as necessary to complete the procedures for issuance of "Operator licences" (2018).

## E. 2018 Key Performance Indicators

34. In line with good corporate practice, and to ensure accountability to relevant stakeholders, the Office proposes to evaluate its effectiveness through the adoption of key performance indicators (“**KPI**”);
35. In 2018, the Office will measure and monitor its performance using the KPI’s listed in the following table:

**Table 1: The Office’s 2018 Key Performance Indicators**

<b>Category</b>	<b>KPI Description</b>	<b>Measure</b>	<b>Period</b>
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 and 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

Category	KPI Description	Measure	Period
	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-2018.*

## F. Budget

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

### 2018 Revenues

37. The Office was amalgamated from the ICTA, ERA and PI and its remit has been expanded to include responsibility for regulating the water and fuels sectors.
38. For its 2017 financial year, the Office incorporated the budgets of the legacy regulators as well as the additional obligations arising from the regulatory activities in the water and fuels sectors. The Office anticipated a revenue shortfall of approximately CI\$1 million to fund the totality of its activities in 2017.
39. In assembling the consolidated budget, a number of issues pertaining to how the legacy regulators derived revenue became evident:
- ERA revenues are outlined in the licence with CUC as 0.5% of CUC gross sales revenue, which includes fuel cost recovery and Government fuel duty. Due to the downturn in global oil prices and a reduction in Government fuel duty from CI\$0.75 per Imperial Gallon in 2014 to CI\$0.25 per Imperial Gallon, ERA revenues have declined 30% requiring the use of its reserve fund;
  - ICTA revenues were also derived from regulatory fees of up to 1.5% of gross sales; however, the regulatory fees of the ICT licensees are capped at a maximum CI\$600,000 per year;
  - The PI was largely underfunded which did not allow it to carry out certain important projects.
40. 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.

41. The guidance from the URC Law and Sectoral Laws as well as practices established by the legacy regulators is that:
  - The Office’s revenues are primarily derived from regulatory fees pursuant to the Sectoral Laws;
  - The regulatory fees are expected to remain stable over the medium term and should cover the costs of regulating the respective sector;
  - The level of regulatory fees is prescribed in licenses; and
  - It is intended the Office shall establish and maintain a reserve fund.
42. 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.
43. In 2018, the following new expenses will have to be covered by revenue:
  - Growing a reserve fund which over time should provide for 6-months of operating revenues as well as enable the Office to respond to policy initiatives from the Government;
  - Establishing an Innovation Group which is prescribed in the Law;
  - In-house technical expert support; and
  - Increased depreciation for capital expenditures.
44. Accordingly, it is anticipated the Office’s revenue requirements for 2018 will be CI\$5.68 million, which is approximately CI\$210,000 greater than the CI\$5.47 million in revenue projected from Licences in 2018 (i.e., regulatory fees in electricity, ICT and water sectors, and regulatory fees and import permit fees in the Fuels sector).
45. Table 2 compares the Office’s 2018 budgeted revenue from Licenses versus 2017, per sector:

**Table 2:** 2017 and 2018 Budgeted Revenue from Licences  
(in Cayman Islands Dollars)

Sector	2017 Revenue	2018 Revenue
ICT	1,782,078	1,926,109
Electricity	976,000	1,189,343
Fuels	150,000	1,307,168*
Water	-	1,050,561
Combined	2,908,078	5,473,181

*\*Pursuant to the DS Law, Government funds the Fuels Group through December 31, 2017. The Office begins funding the Fuels Group starting January 1, 2018.*

46. Table 3 below shows the Office’s revenue requirements per sector

**Table 3:** Comparison of Revenue Requirements per Sector

Sector	2017 Budget	2018 Budget
ICT	41%	35%
Electricity	23%	22%
Fuels	24%	24%
Water	12%	19%

47. 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:

- For the ICT sector, remove the CI\$600,000 cap in regulatory fees;
- For the electricity sector, negotiate and implement a change to the regulatory fee for January 2018 to remove the variability caused by the fluctuation in fuel prices which will restore sector revenue back to initial CI\$1.2 million levels (and by implication the licence fees to the Government);
- For the water sector, in the ongoing negotiations with Cayman Water and the ensuing negotiations with WAC provide for regulatory fees of 1.5% of sales to be implemented in January 2018; and
- For the fuels sector, introduce the “registration fee” regime anticipated in the FSR Law and as far as practicable adjust the operating permit fees such that funding of the Office under the DS Law, which is driven largely by large importers, is equitable. Both measures to be implemented for January 2018.

## 2018 Expenses

### *Combined Expenditures*

48. Table 4 compares combined operating and capital expenditures for the Office budgeted for 2017 and 2018.

**Table 4:** Combined 2017 and 2018 Budgeted Expenditures  
(in Cayman Islands Dollars)

Expenses	2017	2018
Staff Payroll	1,996,268	2,736,075
Directors' Fees	119,750	156,000
Consultancy & Professional Fees	875,083	830,943
Travel and Subsistence	118,027	116,600
Office Supplies and Materials	24,246	19,500
Lease of Property & Equipment and Utilities	155,586	183,351
Training	73,750	80,000
Other Operating Expenses	461,508	474,917
Office Insurance	12,292	10,192

<b>Expenses</b>	<b>2017</b>	<b>2018</b>
Directors & Officers Insurance	20,556	10,255
Employee Health Insurance	338,318	410,676
Contribution to Reserve Funds	-	100,000
Pension Contributions	259,515	355,690
Depreciation	149,429	298,947
<b>Total Combined Operating Expenses</b>	<b>4,604,326</b>	<b>5,683,145</b>
Capital Expenditures	942,388	770,000

49. The Office's total combined operating expenses for 2018 will be up almost 1.1 million dollars due to the need to increase the reserve fund, establish an innovation group (in accordance with the office's duties and functions in section 6 of the URC Law), increase in-house technical support, and due to higher depreciation.
50. Budgeted capital expenditures are down 18% in 2018 while the depreciation expense is approximately doubled. The bulk of CAPEX in 2017 and 2018 is due to moving permanent offices from Alissta Towers to Smith Road Centre (anticipated in 2018).

### *Sectoral Expenditures*

51. For the ICT sector, Table 5 shows budgeted operating expenditures up 9% in 2018 versus 2017 while capital expenditures are budgeted at only 4% of the 2017 total.

**Table 5: ICT Sector 2017 and 2018 Budgeted Expenditures**  
(in Cayman Islands Dollars)

<b>Expenses</b>	<b>2017</b>	<b>2018</b>
Staff Payroll	811,709	982,254
Directors' Fees	31,250	51,452
Consultancy & Professional Fees	289,000	279,917
Travel and Subsistence	85,027	54,277
Office Supplies and Materials	7,379	6,795
Lease of Property & Equipment and Utilities	56,217	63,895
Training	28,750	27,879
Other Operating Expenses	276,806	221,166
Office Insurance	1,042	3,552
Directors & Officers Insurance	5,556	3,574
Employee Health Insurance	125,529	141,020
Contribution to Reserve Funds	-	34,848
Pension Contributions	105,522	127,693
Depreciation	68,274	104,179
<b>Total Operating Expenses</b>	<b>1,892,061</b>	<b>2,067,602</b>
Capital Expenditures	328,408	268,333

52. Explanations of significant changes in ICT sector expenses from Table 5 are set out below:

- *Staff Payroll* in 2018 is approximately 48% of the ICT total operating budget versus 43% in 2017. This is due to the Office's establishment of an innovation group in 2018 and increased regulatory responsibilities;
- *Directors' Fees* allocation to the sector are up in 2018 to 2.5% of total operating expenses from 1.7% in 2017 due to a full fiscal year and increased review;
- *Travel and Subsistence* is down in 2018 due to reduced budgeting for staff travel for international meetings, conferences and workshops versus 2017;
- *Other Operating Expenses* are down 20% in 2018 due to lower budgeted legal fees;
- *Employee Health Insurance* expense is up 12% in 2018 due primarily to a full fiscal year and the anticipation of increased staff allocation;
- The ICT sector will contribute 35% of total reserve funds in 2018 which is aligned with its anticipated percentage of combined Licence revenue generated;
- *Pension Contributions* are up 21% due to a full fiscal year, the anticipation of increased staff and potential salary adjustments; and
- The ICT sector is responsible for 35% of the Office's *Depreciation* expense in 2018, down from 46% in 2017.

53. For the electricity sector, Table 6 shows budgeted operating expenditures up 14% for 2018 to CI\$1,191,193 while capital expenditures are down 24% from the 2017 total.

**Table 6:** Electricity Sector 2017 and 2018 Budgeted Expenditures  
(in Cayman Islands Dollars)

<b>Expenses</b>	<b>2017</b>	<b>2018</b>
Staff Payroll	536,582	611,097
Directors' Fees	31,250	38,665
Consultancy & Professional Fees	128,083	129,243
Travel and Subsistence	10,000	22,236
Office Supplies and Materials	3,067	4,373
Lease of Property & Equipment and Utilities	41,478	43,230
Training	10,000	17,939
Other Operating Expenses	89,057	86,792
Office Insurance	3,750	2,285
Directors & Officers Insurance	5,000	2,300
Employee Health Insurance	96,493	86,552
Contribution to Reserve Funds	-	22,424
Pension Contributions	69,756	79,443
Depreciation	23,048	67,037
<b>Total Operating Expenses</b>	<b>1,047,564</b>	<b>1,191,193</b>
Capital Expenditures	228,458	172,667

54. Explanations of significant changes in electricity sector expenditures from Table 6 are set out below:

- *Staff Payroll* remains constant at approximately 51% of total operating expenses for the sector;
- *Directors Fees* allocated to the electricity sector are up due to a full fiscal year in 2018;
- *Travel and Subsistence* has more than doubled in 2018 as the budget for official travel to attend meetings, conferences, training and workshops has increased from CI\$5,000 to CI\$15,000;
- *Training* expense is up in 2018 due to anticipation of Executives and sector staff in training and other engagement with international organisations by attending conferences and workshops;
- *Directors & Officers (“D&O”) Insurance* expense is more than halved due to cost savings while *Employee Health Insurance* is down almost CI\$10,000 due to reduced staff allocation;
- The electricity sector will contribute 24% of reserve funds in 2018 which is aligned with the anticipated percentage of combined revenue generated;
- *Pension* contributions are up almost CI\$10,000 in 2018 due to a full fiscal year, the anticipation of increased staff and potential salary adjustments; and
- The electricity sector has been allocated 22% of *Depreciation* expense for 2018 (aligning with Table 3), up from 15% in 2017;

55. For the fuels sector, Table 7 shows budgeted operating expenditures up 20% for 2018 to CI\$1,348,160 while capital expenditures are down 11%.

**Table 7: Fuels Sector 2017 and 2018 Budgeted Expenditures**  
(in Cayman Islands Dollars)

<b>Expenses</b>	<b>2017</b>	<b>2018</b>
Staff Payroll	467,470	620,113
Directors' Fees	31,250	34,761
Consultancy & Professional Fees	301,000	277,867
Travel and Subsistence	18,000	27,227
Office Supplies and Materials	10,800	4,550
Lease of Property & Equipment and Utilities	38,054	40,667
Training	25,000	18,667
Other Operating Expenses	62,706	89,332
Office Insurance	3,750	2,378
Directors & Officers Insurance	5,000	2,393
Employee Health Insurance	61,877	79,837
Contribution to Reserve Funds	-	23,333
Pension Contributions	60,771	80,615
Depreciation	42,203	69,754
<b>Total Operating Expenses</b>	<b>1,127,881</b>	<b>1,348,160</b>



<b>Expenses</b>	<b>2017</b>	<b>2018</b>
Capital Expenditures	202,756	179,667

56. Explanations of significant changes in fuels sector expenditures shown in Table 7 are set out below:

- *Staff Payroll* has increased in 2018 to approximately 46% of total operating expenses versus 41% in 2017 due to increased staff;
- *Directors Fees* are up in 2018 due to a full fiscal year;
- *Consultancy & Professional Fees* are down to 21% of total operating expenses in 2018 versus 27% in 2017. The 2017 fiscal year required significant work finalizing Laws and introducing expanded regulatory responsibilities in the sector.
- *Travel and Subsistence* has increased from CI\$18,000 in 2017 to CI\$27,227 as budgeted travel to attend meetings, conferences, training and workshops has increased from CI\$5,000 to CI\$15,000;
- 2017 saw higher than normal *Training* expenses due to the introduction of new sectoral regulations and fees;
- *Other Operating Expenses* are up 1% of total operating expenses in 2018 due to a full fiscal year;
- *Directors & Officers (“D&O”) Insurance* expense is more than halved due to cost savings while *Employee Health Insurance* is up almost CI\$18,000 due to increased staff allocation;
- The fuels sector will contribute 23% of reserve funds in 2018 which is aligned with the anticipated percentage of combined revenue generated;
- *Pension* contributions are up 33% in 2018 due to a full fiscal year, increased staff and potential salary adjustments; and
- The fuels sector has been allocated 23% of *Depreciation* expense for 2018, down from 27% in 2017;

57. Lastly, Table 8 shows water sector budgeted operating expenditures approximately doubling for 2018 while capital expenditures are down 18% from 2017.

**Table 8: Water Sector 2017 and 2018 Budgeted Expenditures**  
(in Cayman Islands Dollars)

<b>Expenses</b>	<b>2017</b>	<b>2018</b>
Staff Payroll	180,507	522,611
Directors' Fees	26,000	31,121
Consultancy & Professional Fees	157,000	143,917
Travel and Subsistence	5,000	12,909
Office Supplies and Materials	3,000	3,782
Lease of Property & Equipment and Utilities	19,837	35,559
Training	10,000	15,515
Other Operating Expenses	32,938	77,626

<b>Expenses</b>	<b>2017</b>	<b>2018</b>
Office Insurance	3,750	1,977
Directors & Officers Insurance	5,000	1,989
Employee Health Insurance	54,419	103,268
Contribution to Reserve Funds	-	19,394
Pension Contributions	23,466	67,939
Depreciation	15,904	57,978
<b>Total Operating Expenses</b>	<b>536,821</b>	<b>1,076,190</b>
Capital Expenditures	182,766	149,333

58. Explanations of significant changes in water sector expenditures in Table 8 are set out below:

- *Staff Payroll* has increased in 2018 to meet an expanded regulatory role in the sector and is approximately 49% of total sector operating expenses (consistent with other sectors);
- *Directors Fees* allocated to the sector are up due to a full fiscal year;
- *Consultancy & Professional Fees* are down to 13% of total operating expenses in 2018 versus 29% in 2017 as more work is done in house, allocated amongst staff.
- *Travel and Subsistence* has increased from CI\$5,000 in 2017 to CI\$12,909 in 2018 as budgeted travel to attend international meetings, conferences, training and workshops is anticipated to increase;
- *Lease of Property & Equipment and Utilities* is up in 2018 but as a percentage of total operating expenses for the sector is down to approximately 3.2% in 2018 from 3.6% in 2017;
- *Training* expense is up CI\$5,515 in 2018 as sector regulatory work is brought in house;
- *Other Operating Expenses* allocations are up in 2018 commensurate with increases in the sector's total operating expenses;
- *Employee Health Insurance* expense allocated to the Water sector in 2018 is up 20% from 2017 due to anticipated staff increases;
- The water sector will contribute 20% of reserve funds in 2018 which aligns with the sector's percentage of total combined expenses;
- *Pension* contributions are up significantly in 2018 due to a full fiscal year and increased staff allocation; and
- The water sector has been allocated 20% of *Depreciation* expense for 2018, up from 13% in 2017;

## Executive and Non-Executive Remuneration

59. In accordance with the Office's statutory obligations in **section 41(2)(d)** of the URC Law, Tables 9 and 10 show the level of Executive and Non-Executive remuneration in 2017 and 2018 respectively.

**Table 9: Executive and Non-Executive Remuneration in 2017**  
(in Cayman Islands Dollars)

	<b>ICT</b>	<b>Electricity</b>	<b>Fuels</b>	<b>Water</b>	<b>Combined</b>
Executive	167,273	172,458	197,107	68,903	605,740
Non-Executive	31,250	31,250	31,250	26,000	119,750
Total	198,523	203,708	228,357	94,903	725,490

**Table 10: Executive and Non-Executive Remuneration in 2018**  
(in Cayman Islands Dollars)

	<b>ICT</b>	<b>Electricity</b>	<b>Fuels</b>	<b>Water</b>	<b>Combined</b>
Executive	229,484	163,644	208,252	163,644	765,025
Non-Executive	51,188	39,000	34,613	31,121	155,921
Total	280,672	202,644	242,865	194,844	920,946

## G.2019-2020 Priorities

### Electricity Sector

60. The following are electricity sector priorities for 2019-2020:

- Complete and promulgate a common set of consumer protection regulations for licensees on all Islands (2019-2020);
- Identify and make recommendations where necessary for new and/or improvement to existing legislation, regulation and/or regulatory policy (ongoing);
- Determine strategies to guide resource development as proposed in the approved CUC 10 year IRP for Grand Cayman (2020);
- Design and implement the regulatory frameworks to support and give effect to the strategies of the NEP (2020);
- Facilitate and adopt energy efficiency and demand side management programmes (ongoing);
- Promote new and innovative technologies in renewable and alternative energy;
- Leverage advances in technology in the international electricity sector to advance NEP initiatives and stimulate economic development (ongoing);
- Work towards achieving fair pricing for reliable electricity service on each of the Islands; and
- Identify all necessary resources to achieve the above (ongoing).

## ICT Sector

61. The following are ICT sector priorities for 2019-2020:

- Finalize the radio licencing system (2019);
- Complete and promulgate a common set of consumer protection regulations for licensees (2020);
- Identify and make recommendations where necessary for new and/or improvement to existing legislation, regulation and/or regulatory policy (ongoing);
- Continue CIRT-KY phased development and service offerings (2020);
- To promote innovation, research and development aim to establish public-private partnerships with large companies to increase the attractiveness of the jurisdiction's positioning as a centre of ICT excellence (2019);
- Examine and move on initiatives to increase the academic and practical development of small and medium-sized enterprises within the local community (youth) (2020);
- Facilitate Subsea cable connectivity (2020);
- Develop industry working groups (e.g., finance "FinTech" – mobile money, investment security, etc.; medical "MedTech" – virtual reality for training and provision of care; tourism technology – hospitality sales, concierge and experience improvement, etc.) towards managing the expectations of these sectors against the background of the Office's regulatory and development direction (2019); and

## Fuels Sector

62. The following are fuels sector priorities for 2019-2020:

- Complete and promulgate a common set of consumer protection regulations for licensees (2020);
- Identify and make recommendations where necessary for new and/or improvement to existing legislation, regulation and/or regulatory policy (ongoing);
- Deliberate and strategic in positioning the fuel sector to be both proactive and responsive to the changing global oil and gas landscape (ongoing);
- Implement SMP framework towards fair market pricing (2019);
- Ensure synchronous and harmonized regulation of codes and standards (ongoing);
- Promote safety and sustainability in the sector (ongoing);

- Promote where appropriate the introduction of new fuels such as LNG, CNG and biodiesel (2020);
- Transition key processes to online/web-based applications (2019); and
- Maintain a three Islands perspective in strengthening market competitiveness and infrastructure (ongoing).

## Water Sector

63. The following are water sector priorities for 2019-2020:

- Complete the transition and inventory of licensees (2019);
- Design and implement customer service standards for Cayman Water and WAC (2019);
- Conduct efficiency and tariff studies for Cayman Water and WAC (2019);
- Design and implement the regulatory frameworks to support and give effect to the applicable strategies under the NEP (2020);
- Identify and make recommendations where necessary for new and/or improvement to existing legislation, regulation and/or regulatory policy (ongoing);
- Facilitate and adopt energy efficiency and water conservation programmes (ongoing);
- Promote new and innovative water production and wastewater treatment technologies (ongoing); and
- Leverage advances in technology in the international water and wastewater sectors to advance NEP initiatives and stimulate economic development (ongoing).

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