

OfReg – Chamber of Commerce 'Be Informed'

31 May 2022





OfReg – Chamber of Commerce ‘Be Informed’



Welcome

Mr Peter Gough, Interim CEO, OfReg



Who we are:

OfReg is the independent multi-sector regulatory body responsible for regulatory oversight of:

- Energy
- Fuel
- Information & Communication Technology
- Water



Mr. Gregg Anderson

Executive Director – Energy & Water



Mr. Duke Munroe

Executive Director – Fuels



Mr. Sonji Miles

Executive Director – Information



Background



Water Authority - Cayman

Regulation



Fuels inspectorate



What we do:

OfReg’s role, through effective regulation, is to protect our critical national infrastructure and ensure the people of the Cayman Islands have reliable access to the utilities that are essential for everyday life – electricity, water, fuel and communications – today and for future generations.



What we do:

ICT

- 5 large telecommunications licenses
- 9 large infrastructure licenses
- 19 radio stations
- 4 over the air radio licenses
- 2,500 ship radios
- 320+ aircraft radios
- 30 private radio licenses
- 8,000 + domain registrations

Fuel

- 450 permits issued
- 450 regulated entities (commercial, residential & industrial)
- 6 major suppliers
- 29 gas stations

Energy

- Electricity: 3 entities regulated
- Water: 6 entities regulated

Our team:

Staffing consists of 27 officers across the following sectors:



Relationship with Government

- The cost of regulating all the sectors is covered by the private sector companies
- We collect royalty fees on behalf of Government
- We provide services to government which they pay for e.g.
 - Monitoring and controlling, storage and handling of fuel products
 - Management of the internet domain .ky
 - Developing legislation
- International Representation
- Last 3 years have recorded a surplus
- Under Ministry of Finance & Economic Development, but also work with Ministry of Planning, Agriculture, Housing & Infrastructure, Ministry of Sustainability & Climate Resiliency, as well as Ministry of Financial Services & Commerce

Operational priorities and areas of focus

ICEO Focus (Institutional Strengthening & Continuous Improvement)

- Accountability
- Improved capability
- Improved integration
- Capacity building



Accountability

- Improving project management
- Improve our performance management to ensure we meet deadlines
- Accountability to our customers
 - Public perception
 - Consumer Protection

A large, stylized graphic on the right side of the slide. It features a dark green background with a lighter green circular shape at the top. Below this, the words 'ON AIR' are written in large, bold, teal letters. The background of the entire slide is a light green color with a pattern of white hexagons of varying shades.

Improved capability

- ILM Leadership and Management
- Building a culture of Continual Learning for all staff
- Secondment placements with Overseas Regulators
- Succession Planning
- Reduce dependence on consultants
- UK Technical Assistance



Improved integration

- 3 separate entities that joined together in 2017
- ICTA, ERA, Fuels Inspectorate, Water and wastewater regulation
 - Improved internal communication
 - Improved communication with Civil Service and Government
 - Operational efficiencies/synergies



Capacity building

- Developing and implementing a manpower plan to improve capacity to meet remit and responsibilities



Looking forward

- Very proud of OfReg team who have been working extremely hard in the often challenging circumstances
- Much has already been achieved, but as a team we are striving to continue to improve, to effectively and efficiently protect our critical national infrastructure and ensure the people of the Cayman Islands have reliable access to utilities, today and for future generations.



Utility Regulation and Competition Office (OfReg)

ICT Sector

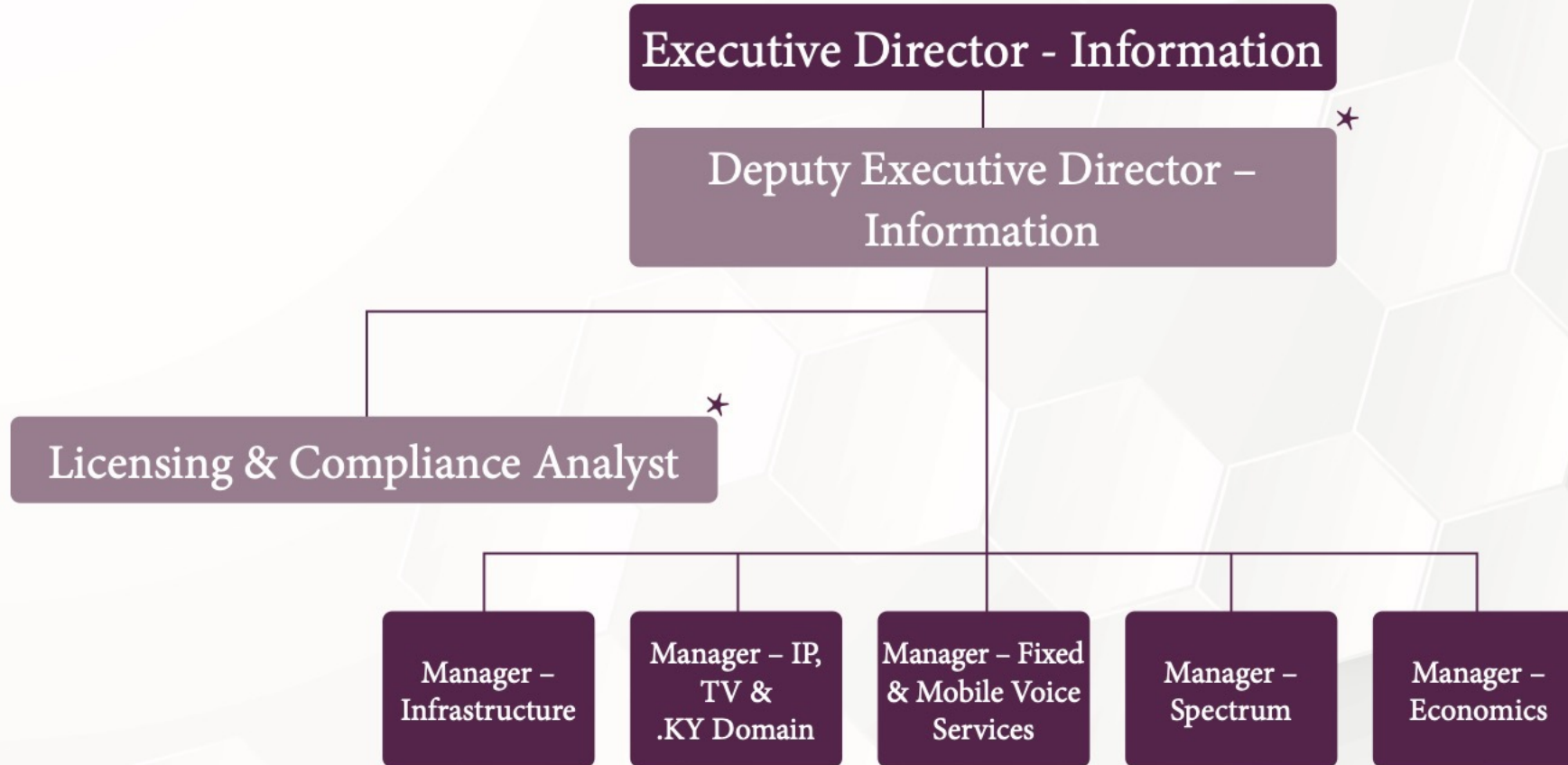


Outline

1. Organisational chart
2. Regulatory framework
3. Remit & responsibilities
4. Recent & current activities
5. What’s on the horizon



Organisational chart



Regulatory framework

- Utility Regulation & Competition Act (2021 Revision)
- Information & Communications Technology Act (2019 Revision)
- ICTA Interception of Telecommunication Messages Regulations (2016 Amendment)
- ICTA Amateur Radio Regulations 2010
- ICTA Interference & Equipment Standardisation Regulations 2004
- ICTA Electronic Transactions Act 2003
- ICTA Interconnection & Infrastructure Sharing Regulations 2003
- ICTA Dispute Regulations 2003
- ICTA Confidentiality Regulations 2003 Computer Misuse Act 2000 Orders and Gazette Notices (Section 23(2) Regulatory Notice)



Remit & responsibilities

What:

1. Licensing
2. Regulation
3. Consumer Protection
4. Cyber Security

In the areas of:

1. Telecommunications
2. Spectrum & Broadcasting
3. Infrastructure
4. .ky Domain



Recent & current activities

Telecommunications

- Sector wide re-licensing
- New fixed wireless services (Eastern districts)
- Compliance/investigations
- Draft consumer protection regulations and Cabinet paper submitted
- Network standards
- Significant Market Power (SMP) Review
- Issuance of Coast Guard Vessel and Coastal Station licence
- Update to Outage Reporting Rules



Current activities

Spectrum & broadcasting

- 3 new FM stations, 1 conditional 24/7 BBC broadcast
- Spectrum utilisation and fee audit
- TV content sharing regulation
- Acquisition of spectrum analysis kit

Current activities

Infrastructure

- Internet exchange point
- Third subsea cable
- Dispute resolution



Current activities

.ky domain

- Update to Registry Services agreement



What’s on the horizon

- Implement strategies and policies to enhance security, reliability, resiliency and connectivity of our communications infrastructure
- Promote rollout of future networks and services of innovative test beds to improve efficiency and delivery of ICT services. Eg. ICT Experimental License ‘Sandbox’
- Promote and facilitate rollout and innovative use of fibre networks to support delivery of high-speed broadband
- Increase availability and attractiveness of the .ky domain
- Online Harms legislation/guidelines
- National Broadband Policy with applicable QOS standards

Utility Regulation and Competition Office (OfReg)

Fuel Sector

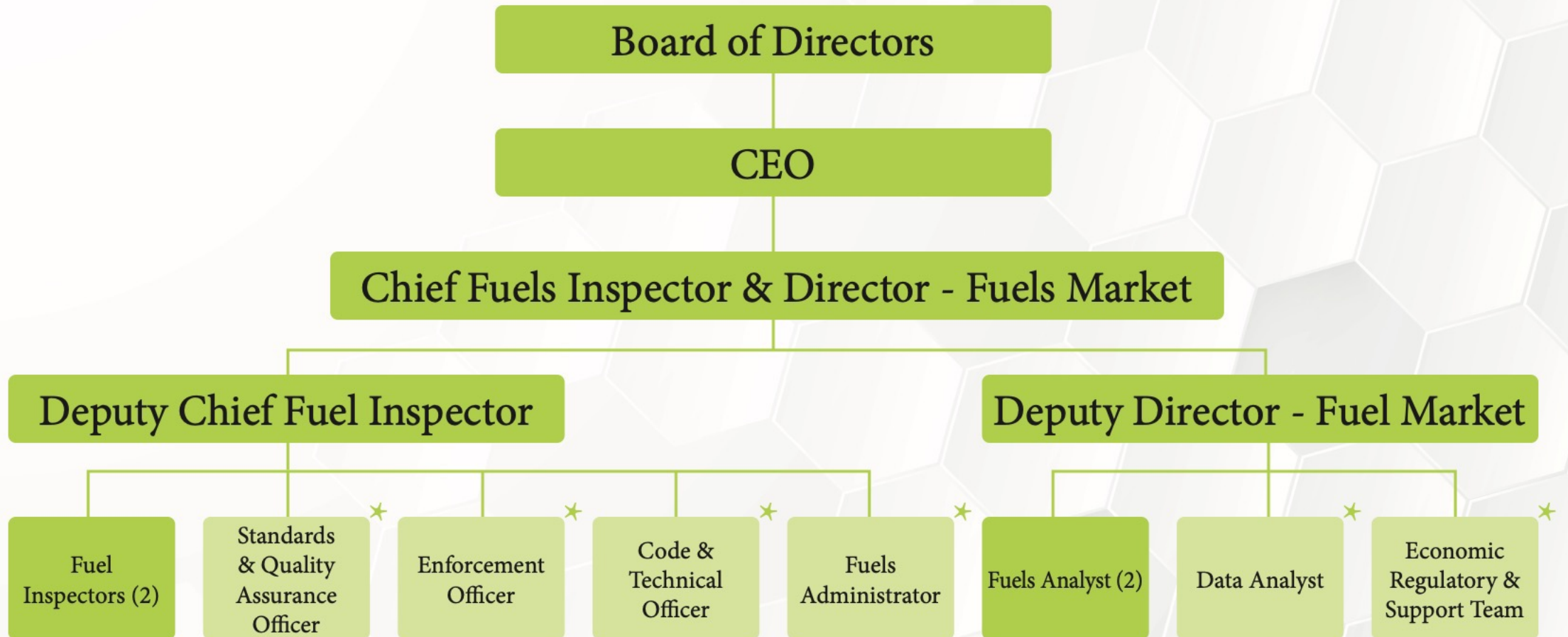


Outline

1. Organisational chart
2. Regulatory framework
3. Role & function chart
4. Remit & responsibilities
5. Key focus area - price monitoring
6. Trends - fuel prices 2021
7. Challenges
8. Current activities



Organisational chart



Regulatory framework

- Utility Regulation and Competition Act (2021 Revision)
- Dangerous Substances Act (2017 Revision)
- The Fuel Market Regulation Act (2017)
- The Dangerous Substances Regulations (2022 Revision)
- (NFPA, API, ASTM, ANSI, NIST, DOT, ASME, OSHA, STI, EPA & UN relevant Codes & Standards Adopted by reference; to be formalised under new Law)
- Policies, procedures, directives, processes and quality of service standards



Role & function chart



Remit & responsibilities

Fuels Sector emerged into (economic) regulatory & competition space at formation of OfReg (Jan 2017)

- Regulatory Intervention have been taken in relation to cost orientation
- Formal Comprehensive Market Assessment completed
- Emphasis on Wholesale Markets Intervention then Retail Segment
- Fuel Sector Markets not failing, light touch intervention needed

Fuels Inspectorate Mature in Compliance & Safety Regulations

- Amendments under OfReg places emphasis on:
 - Product Quality and Related Standards
 - Weights and Measures (Mensuration) Standards
 - Certification of Industry Personnel
 - Enhanced compliance via Permitting and Enforcement

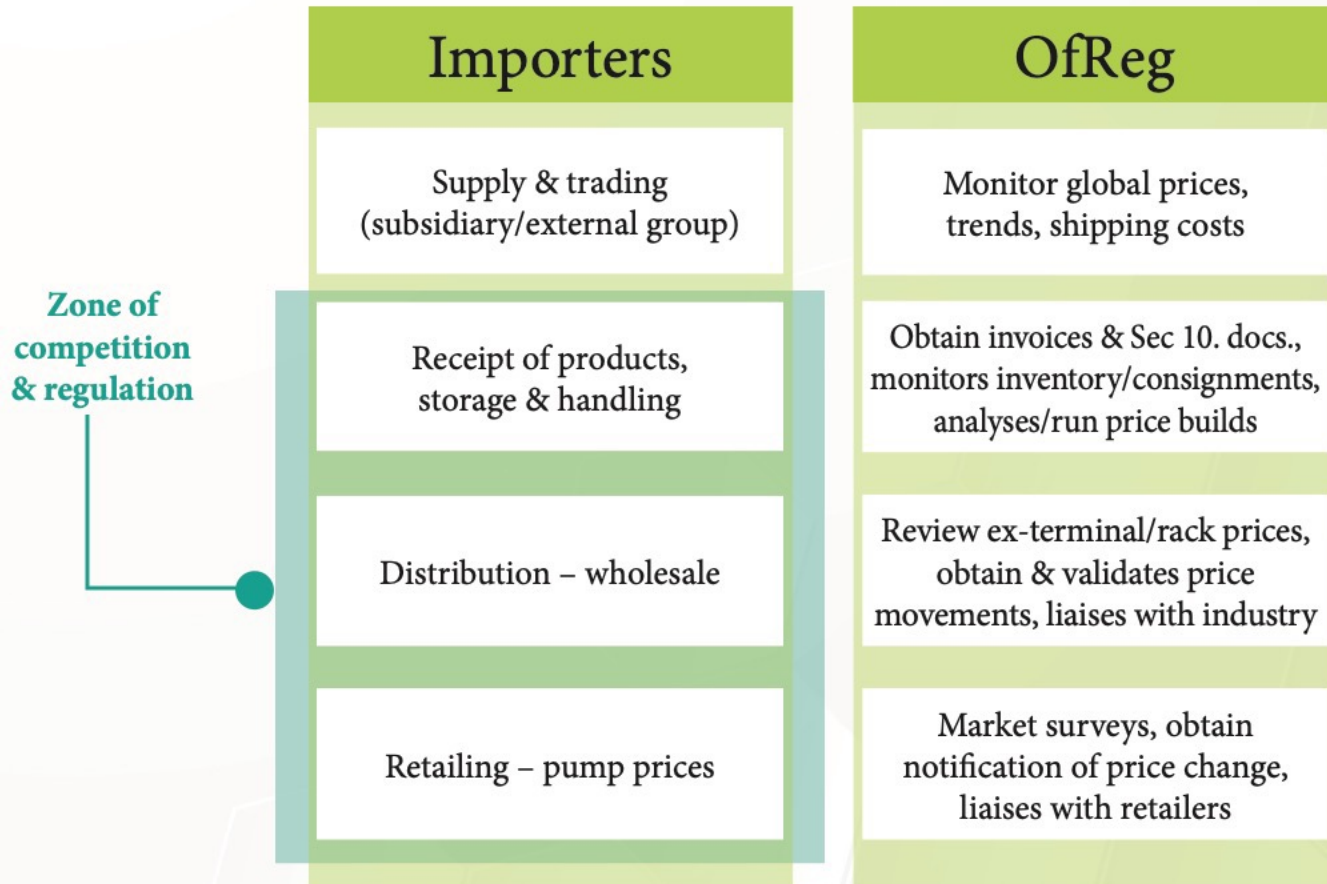


Remit & responsibilities

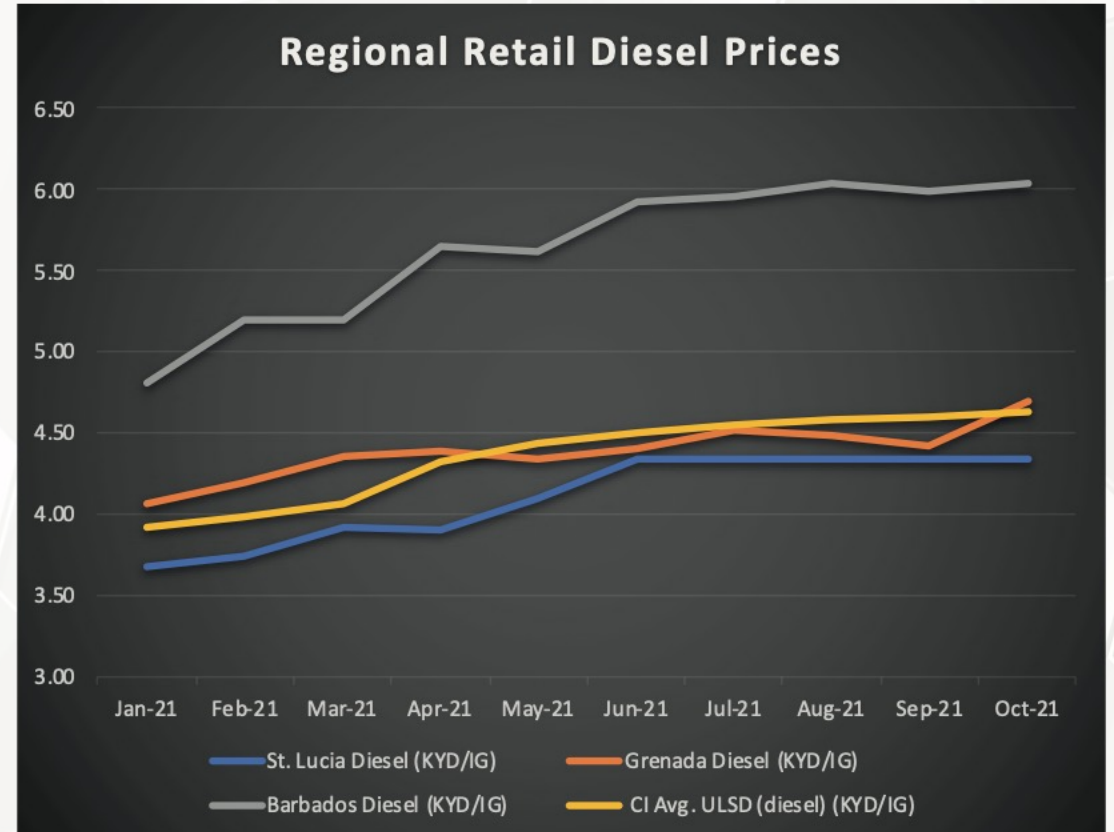
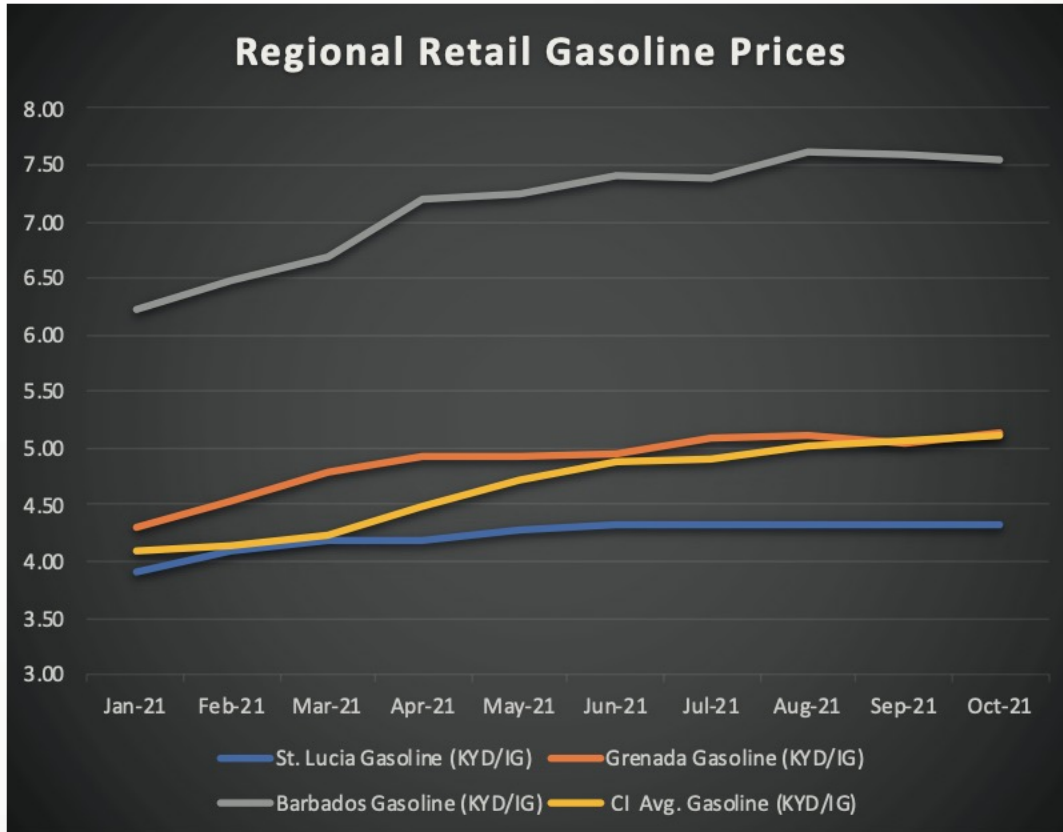
- Transform fuel market where efficient regulatory cost + improved market & price efficiency results in net positive economic impact to consumers/general public and the economy
- Ensure synchronous and harmonised regulation of (Code and Standards) operational compliance and the economic facets of sector
- Fueling safety, driving sustainability, embracing adaptability

Key focus area - price monitoring

- OfReg does not control pricing



Trends - fuel prices 2021



Current activities

- Consumer Protection Regulation – consumer sensitisation
- Exploratory regulatory intervention at wholesale level
- Increased efficiency in area of Weights & Measures (calibration)
- Implement local fuel quality testing capabilities (to ensure National Fuel Quality Standards)
- National Oil Spill Management Capability (IMO/III Code Compliance)
- Increasing sector wide compliance with Dangerous Substances Act (while exploring co & self regulation in select areas)
- Fuel Sector Licensing Framework for key sectoral participants
- Automation of Key Processes (Paperless Processes)
- Build capacity in fuel sector for effective oversight



Challenges

- Not many precedent models in fuel sector economic regulation. Price control in other comparable jurisdiction based on CPI and other fiscal measures by Government
- OfReg relies on regulatory principles – intervention required where market has failed – concentrated markets with limited competition volatile market requiring fully resourced and responsive regulatory mechanism
- Educating public on benchmark prices not being US mainland reference prices
- Keeping pace with sector wide safety and code compliance for administration and enforcement (mainly due to ↘)
- Organisational capacity constraints



Utility Regulation and Competition Office (OfReg)

Energy Sector



Outline

1. Introduction
2. Organisational chart
3. Strategy for regulating the future energy system
4. Regulatory framework
5. Remit and responsibilities
6. Key stakeholders
7. Energy transition
8. Current activities - Energy
9. Current activities - Water
10. Key challenges

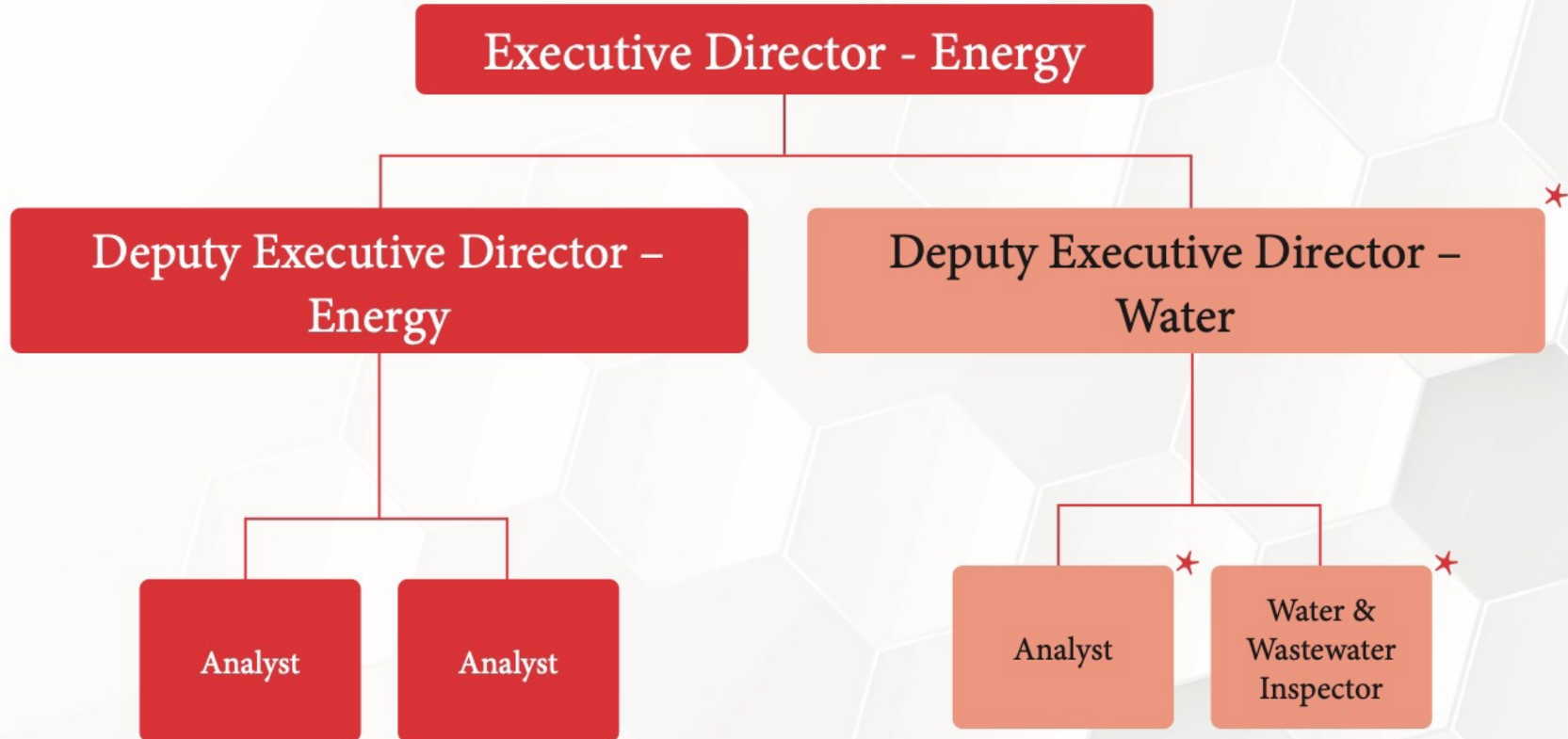


Introduction

We regulate the energy market by promoting competition in, reliable supply, security, and the efficient operation of the Cayman Islands electricity and water industries for the long-term benefit of consumers at competitive prices.



Organisational chart



Strategy for regulating the future energy system

Our goal is to provide a regulatory framework that:

- Facilitates innovation
- Supports the energy transition to a low carbon energy system
- Delivers the affordable, resilient, stable, and sustainable services that all consumers require
- Ensures that consumers are protected and
- Protects Critical National Infrastructure (CNI)

Remit and responsibilities

Regulation of the Energy & Water Sectors per the URCA, ESRA, WSRA, WSPA, and attendant regulations.

- Includes both private and public entities
- Fostering competition where practical
- Licencing
- Determining the price level and structure of tariffs
- Setting Quality of service standards
- Establishing Rules & Guidelines for Public Utilities
- Arbitrating stakeholder disputes



Remit and responsibilities

- Compliance & Enforcement
- Promotion of new technologies
- Performing management audits
- Developing agency human resources (expertise)
- Reporting sector and regulator activities to government authorities
- Coordinating decisions with other government agencies, and
- Implementation of NEP objectives

All are done in the long terms interests of consumers.



Regulatory framework

Energy

- The Electricity Sector Regulation Act (ESRA 2019 Revision)
- The Electricity Act (2008 Revision)
- The Electricity Regulations (2011 Revision)
- The Electricity Regulatory Authority (ERA, Standard of Performance Rules, 2012)

Water

- The Water Sector Regulation Act (WSRA, 2019 Revision)
- The Water (Production & Supply) Act (WSPA, 2018 Revision)
- The Wastewater Collection and Treatment Act (WCTA, 2019 Revision)

Key stakeholders

Key stakeholders are:

- Industry, consumers, policy makers, and other regulators
- Open and constructive engagement with these stakeholders is fundamental to the transparency of our decision making. It helps ensure parties have the opportunity to scrutinise and contest the reasons for our proposed decisions or actions



Energy transition means changes in regulation

Drivers

- Decarbonisation
- Technological change
- Digitisation & Smart Systems

Impact on the energy system

- Changes in the generation mix:
 - Intermittent
 - Distributed
 - Reduced flexibility
 - More storage
- More active networks and demand side management
- New, bigger, & uncertain loads e.g. Electric Vehicles
- Smart technologies e.g. DERMS

Impact on regulation

- Right incentives to sectoral providers
- Right incentives to sectoral participants
- Right framework for licensees
- Right method to monopoly cost recovery

Current activities

Energy

1. Renewable energy deployment is an intrinsic part of our action agenda – includes Distributed Generated Resources (DGR) and Utility-scale Renewable Energy (RE)

- o Implement Renewable Energy Auction Scheme for renewables + storage
- o Enhance existing DGR programmes and introduce new ones where possible
- o Conclude Value of Solar Study to set tariffs
- o Oversee update of the 20-year Integrated Resource Plan
- o Assess Cayman Brac Power and Light’s and CUC’s 5-year capital investment plans



Current activities

Energy (continued)

2. Promoting the adoption of new technologies to enhance Caymans’ economy
3. Monitor the performance of all licensees to ensure compliance with licence obligations
4. Conduct 5-year review of CUC’s licences
5. Oversee Cost of Service Study (COSS) and new Infusion Study (IS) for CUC
4. Promoting the adoption of new technologies to enhance Caymans’ economy

Current activities

Water

1. Negotiation of new licences for Cayman Water Company; Morritts Tortuga, Royal Reef Resort, etc
2. Conduct Cost of Service Study of Water Authority Cayman & negotiation of its licence
3. Completing the regulatory framework for the Water Sector
4. Promote the reuse of wastewater for irrigation and other purposes
5. Promote the adoption of new technologies in the water sector.
6. Developing Consumer Protection Regulations (CPRs) for both Energy and Water sectors to ensure consumers are protected



Key challenges

- Regulatory Capture
- Independence
- Lack of resources



Questions?