



August 17th 2009

Dear Editor,

I write to comment on an article printed on the front page of the Cayman Net News on Thursday, August 13th, headlined “Government is seeking to amend CORE programme”

Caribbean Utilities Company, Ltd. (CUC) introduced the Consumer Owned Renewable Energy (“CORE”) program in January of 2009 following approval by the Cayman Islands Electricity Regulatory Authority (the “ERA”). The principle feature of the program was to allow connection of renewable generation to CUC’s transmission and Distribution grid and to credit CORE customers for energy produced. While the CORE programme is a step in the right direction, our experience with it to date has not been encouraging with a very low adoption rate. We believe this is because the credit to the CORE customer has not been great enough to make investment in CORE equipment viable.

The credit given to the CORE customer is 100 % of CUC’s savings generated from the displacement of its own diesel generated electricity costs. With the current relatively low cost of fuel, this credit is much less than the cost of producing the CORE energy. Simply put, the cost of CORE generation is greater than the cost of CUC generation and for CUC to buy energy from the CORE customer, at their cost, would be to do so at costs which are higher than CUC’s own generation costs.

CUC, the Government and the ERA, recognized the importance of introducing sustainable renewable energy to CUC’s portfolio of generation, understanding that it would likely be more expensive in the short term, but could become cost competitive in the future if diesel fuel prices increased or the cost of renewable energy went down.

Accordingly, clause 32.5 of CUC's Electricity Transmission & Distribution Licence (which you may read in its entirety on the CUC or the ERA website) specifically states with respect to renewable energy that, "To reduce the dependence on fossil fuels and encourage renewables the Licencee may propose (with justification) that such purchases of power take place at prices at or above those of its most economic short run alternative (the Licencee's avoided cost), a cost that would be passed on to consumers."

In keeping with the intent of the License, CUC has made more than one proposal to the ERA which provides greater incentive to the CORE customers than the present CORE rate and would likely attract more CORE participants if implemented. These proposals could achieve results similar to "net metering". It is our understanding that the ERA is awaiting a policy direction from the Government before it can approve any such rates or incentives and we trust that this will occur in the not too distant future.

In a related initiative, CUC has launched a request for proposals (RFP) process for qualified wind developers to develop, install, commission and operate wind generation of up to 10 MegaWatts. Independent development of this generation source by experienced qualified developers will validate the economic viability of this technology. CUC will not participate as an investor in this project but will purchase resulting generation at an agreed upon rate (approved by the ERA) for distribution through the electricity grid.

CUC recognizes and supports the efforts of those on the island who have taken the initiative to install CORE generation for environmental reasons. We believe that further incentives will expand that group of early adopters for the long term benefit of the island and will recognize the contribution made by those who have already adopted renewable technologies.

Sincerely,

Andrew E. Small
Vice President, Transmission & Distribution
Caribbean Utilities Company Ltd.