



February 15, 2024

NEWS RELEASE

## The Generation Bid Process for Caribbean Utilities Company, Ltd.

Caribbean Utilities Company, Ltd. (“CUC” or the “Company”) recognises the need for additional generating capacity on its grid. As a result, the Company has been collaborating with the Utility Regulation and Competition Office (“OfReg” or “the regulator”) to initiate the steps required for additional generation. This process involves a competitive Request for Proposal (“RFP”) from qualified bidders. However, recent concerns raised by the Ombudsman regarding the proposed bidding process for renewable energy generation warrant further clarification. CUC wishes to clarify the manner in which it is obligated under its Transmission and Distribution (T&D) Licence to assist OfReg with the facilitation of competitive bids for generation. Specifically, the Ombudsman expressed concern regarding how the proposed bidding process for renewable energy generation was being conducted. The Ombudsman stated:

*“It appears that one bidder (CUC), which already holds a monopoly position in terms of the sale of electricity, is co-designing the specifications of the request for proposal for an upcoming bidding process, in which they, themselves, will be an interested party,” the hearing decision stated. “In my mind, this has the appearance of a conflict of interest.”*

CUC holds and operates under the requirements of two licences namely The Electricity Generation Licence and The Electricity T&D Licence. As a generation licensee CUC competes against other independent producers when generation is required to put energy on the grid.

As a T&D licensee, CUC is the owner and operator of the grid and is obligated under that Licence to ensure, among other things, that there is adequate supply of generation capacity and energy to the T&D System to deliver reliable service to consumers. The procurement of additional generation supply is subject to the Generation Solicitation Process described in Condition 31 of the T&D Licence and is managed by OfReg. To ensure a comprehensive understanding for qualified bidders to calculate their anticipated costs for bid submissions, CUC shares detailed technical information in advance of the bidding process.

As a part of that process, one of the requirements placed on CUC, via section 31.1.8, is to develop a draft Power Purchase Agreement (PPA) for OfReg to review and approve for inclusion in the bid packages to be distributed to potential bidders. Following the competitive bid process, if a party other than CUC is successful in the bid, the draft PPA

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would be negotiated into a final PPA or supply contract between the winning bidder and CUC. Despite perceptions of a conflict of interest surrounding these technical submissions, it is essential to clarify that they are not designed to provide CUC with an unfair advantage in the bidding process, but rather to provide an equal bidding opportunity. It is imperative that bidders have a draft PPA to understand the starting point in any such negotiations and to anticipate their eventual contractual commitments if they are successful in their bid. This is a standard practice for generation solicitation in many jurisdictions.

The Ombudsman also addressed the process of the Cost of Service Study (“COSS”). In accordance with Condition 19.6 of the Company’s T&D Licence, CUC may periodically (but at least every five years) propose re-balanced and restructured rates, considering the results of a COSS completed in advance of the proposed rate adjustment. An allocated COSS assigns cost responsibility between rate classes based on various relative characteristics – specifically, number of customers, energy sales, impact on peak demands and revenues.

The COSS, also known as 'rate re-balancing', aims to rebalance the billing allocation between customer classes in a manner that is revenue-neutral for CUC, without generating additional revenues. It is important to clarify that rate re-balancing does not result in additional revenues for CUC; instead, adjustments are made across rate classes to maintain fairness and equity in pricing.

The Ombudsman’s role is an important one and we fully support the office’s efforts to ensure transparency and fairness in all processes.

CUC is completely supportive of the energy transition and of greater amounts of renewable energy on the grid as well as a path to cleaner, affordable energy. The regulator holds authority over the approval of utility-scale solar projects, and CUC is fully prepared to participate in the regulatory process to advance large scale renewable energy initiatives on Grand Cayman.

For further information, copies of CUC’s Licences can be found on the Company’s website at [www.cuc-cayman.com](http://www.cuc-cayman.com).

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