

# OOCUR Annual Conference

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## CARILEC Regulatory Position

*Presented by: Peter Williams  
Chairman, CARILEC*

<http://www.carilec.org/>

# About CARILEC

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- ◆ CARILEC
  - ◆ Established 1989. Secretariat based in St. Lucia
  - ◆ 32 member utilities from the English, Dutch and French speaking Caribbean
  - ◆ Over 3 million customers served by 12,800 employees
  - ◆ 50 Associate & Affiliate Members (consultants & suppliers)
- ◆ Services provided
  - ◆ Training & development
  - ◆ Benchmark & Tariff Studies
  - ◆ Disaster response coordination
  - ◆ Conferences & trade shows
  - ◆ Advocacy

# What CARILEC is About

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- ◆ **Vision Statement**

- ◆ To be the Premier Association of Electric Utilities and Industry partners; facilitating the development of world class electric energy services for all peoples of the Caribbean.

- ◆ **Mission Statement**

- ◆ CARILEC will enhance the effectiveness of its members by providing industry related services, creating regular networking, training and knowledge sharing opportunities; supporting mutual assistance programs and being an advocate for the industry throughout the Caribbean.

# REGULATION

## A Balancing Act

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- + Balance consumer and investor interests
- + Balance cost of service and quality of service



- > Mimic the workings of a competitive market

# CARILEC Position Paper

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- ◆ CARILEC issued its position paper on Regulation and Renewable Energy in 2010  
<http://www.carilec.org/publications/CARILECPosPaperRegandRenew.pdf> [www.carilec.org](http://www.carilec.org)
- ◆ CARILEC welcomes and strongly supports independent regulation of electric utilities in the region
- ◆ CARILEC promotes the introduction of renewable energy

# Regulatory Presence

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- ◆ CARILEC Member Profile
  - ◆ 21 Government Owned Utilities
  - ◆ 11 Investor Owned Utilities with governments holding an interest
- ◆ Presence of Independent Regulators
  - ◆ Only 11 (~**35%**) of electric utilities have an independent regulator
  - ◆ 4 of 21 (<**20%**) of Government Owned Utilities are independently regulated
  - ◆ 7 of the 11 (>**60%**) of the Investor Owned Utilities are independently regulated

***We still have some way to go!***

# Regulation – Utility Survey

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- ◆ CARILEC Member Survey (8 utilities responded)
  - ◆ Price cap regulation – 2 utilities
  - ◆ Rate of Return regulation – 3 utilities
  - ◆ Fuel cost pass through mechanism – 5 utilities
  - ◆ Quality & Service Standards – 3 utilities
  - ◆ Competition allowed – 3 utilities
  - ◆ RE / IPP Interconnection in place – 3 utilities
- ◆ Quality of Regulation
  - ◆ Two utilities satisfied that regulator is compliant with best practice; Two unsatisfied; and one believes the regulator is just above average.
  - ◆ *Note: Regulatory uncertainty and increased sovereign risk raise the cost of capital and hence the cost of service to customers.*

**AGAIN – We still have some way to go!**

# Towards Best Practice

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- ◆ CARILEC believes that regulation should be in line with best practice
  - ◆ Independence – regulator able to act without interference
  - ◆ Communication – stakeholders understand process and are aware of decisions
  - ◆ Consultation – stakeholders are consulted
  - ◆ Consistency – everyone is treated fairly over time
  - ◆ Predictability – the rules are known and adhered to
  - ◆ Flexibility – responsive to changes in the environment
  - ◆ Capacity – a high level of professionalism is maintained
  - ◆ Effectiveness – processes are straightforward & efficient
  - ◆ Accountability – regulator provides reasons for decisions
  - ◆ Transparency – there is openness in decision making



# Good Regulation is Essential

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- ◆ CARILEC believes that good regulation provides the following benefits:
  - ◆ Protects the right of the customer to receive an acceptable quality of service and builds greater confidence among customers of the fairness of the price
  - ◆ Holds the utility accountable for meeting agreed performance standards and creates a culture of accountability within the electric utility
  - ◆ Creates a climate of certainty where lenders and investors are willing to put funds into the development of the electric utility infrastructure which requires high level of capital and is long term in nature
  - ◆ Is good for the overall economic development of a country

# Appropriate Regulatory Rules

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- ◆ CARILEC believes that there needs to be appropriate regulation for regional utilities, which with few exceptions are characterized by:
  - ◆ Very small markets
  - ◆ Islanded systems without the benefit of interconnection
  - ◆ High levels of reserve capacity to maintain reliability
  - ◆ Heavy dependence on fossil fuels
- ◆ CARILEC promotes the Single Buyer Model
  - ◆ Competition in the renewable energy generation with a single buyer model
  - ◆ Utility should remain responsible for the overall system planning

# Renewable Energy & Regulation

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- ◆ Renewable Energy
  - ◆ Renewable energy is growing in importance and is becoming increasingly cost competitive
  - ◆ Good regulation is essential for renewable energy to develop in the region
  - ◆ Characteristics of renewable energy such as solar and wind are not the same as base generation capacity – intermittency of supply – and this needs to be considered – utility still has a responsibility to deliver a reliable supply.
- ◆ Current Status - RE Interconnection
  - ◆ Very few regional utilities / regulators have established interconnection standards and tariffs
  - ◆ Some do not allow interconnection
  - ◆ Laws and policies are lagging behind technology & industry changes

# CARILEC Actions

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- ◆ **Regulatory**
  - ◆ CARILEC is working with the World Bank, Caribbean Development Bank and others to promote good regulation.
  - ◆ Hosting Regulatory Forum and Town Hall sessions in member countries.
  - ◆ CARILEC supports the establishment of the Eastern Caribbean Energy Regulatory Authority (ECERA)
- ◆ **Renewable Energy**
  - ◆ Cooperating with the IDB, IRENA and others to promote RE
  - ◆ Helping to establish Power Purchase Agreement and Interconnection Policies
  - ◆ Hosts annual Renewable Energy Forum
- ◆ **Training & Development**
  - ◆ CARILEC helping to prepare member utilities for regulation

# Summary Points

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- ✓ Energy policy, legislation & regulations are lagging behind changes in technology & the electric utility industry
- ✓ Regulation varies considerable across the Caribbean
  - CARILEC will continue to promote the need for the establishment of best practice regulation
  - CARILEC supports the establishment of regional regulators such as ECERA
- ✓ Good regulation is good for the economy
  - A strong electricity operator delivering a reliable supply is vital to a modern economy

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**Thank you for your kind attention**