

Household Budget Survey 2015 – ERA/Electricity Consumers as Stakeholder

The Transmission and Distribution (T&D) Licence put in place in 2008 to regulate the supply of electricity to Grand Cayman by Caribbean Utilities Company (CUC) established a regime for controlling CUC's rates charged to consumers for electricity. Instead of mandating a rate of return for CUC to ensure its continued financial well-being and to enable it to meet the electricity supply needs of consumers on Grand Cayman, the Licence established a formula which would determine if and by how much CUC's Base Rates would be adjusted each year as of June 1st. This formula utilizes a specific version of the Cayman Consumer Price Index (CPI) so the CPI calculated each year by the ESO is absolutely critical to determining how much we pay for electricity. Whilst I would not want to overstate the impact that the CPI has on electricity rates, **Every Dollar Count\$!**

Each year the ERA and CUC calculate and agree the increase in price of a specific index. This index is comprised of 60% of the Cayman Islands CPI and 40% of the US CPI, both excluding the change in prices of food and energy items. The only way in which the ESO can correctly calculate the CPI is if they know how households spend their money so that the ESO can give the correct weighting to each sector of expense. If the CPI is not accurate because the sector weightings are not accurate, then the cost of electricity could be too high or too low. It is therefore critical to electricity consumers that the ESO gets consumers cooperation in conducting its Household Budget Survey in 2015. It might not make a huge difference but **Every Dollar Count\$!**

The other way in which the ERA uses the CPI is to assess the current value of future costs. For example, right now the ERA is considering a proposal for the installation of 5 MW of solar photo voltaic generation to be added to the CUC grid. The ERA needs to assess how these costs will impact the cost of electricity overall and ultimately what consumers will pay for energy in the future. One way in which the ERA might look at this is to assess in current dollar terms the costs of energy which will be generated at future costs over say 20 years. To do this the ERA would discount the future prices at the long term inflation rate. To get this rate the ERA would look at the long term historical trend of the Cayman CPI. If this historical record is not correct the ERA could reach the wrong conclusion about how the solar energy is likely to affect electricity prices over the next 20 years. It is therefore critical to the ERA and electricity consumers that the data collected by the ESO is as accurate as possible and to this end the ERA hopes that electricity consumers will do what is in their own best interests and that would be to diligently participate in the Household Budget Survey.