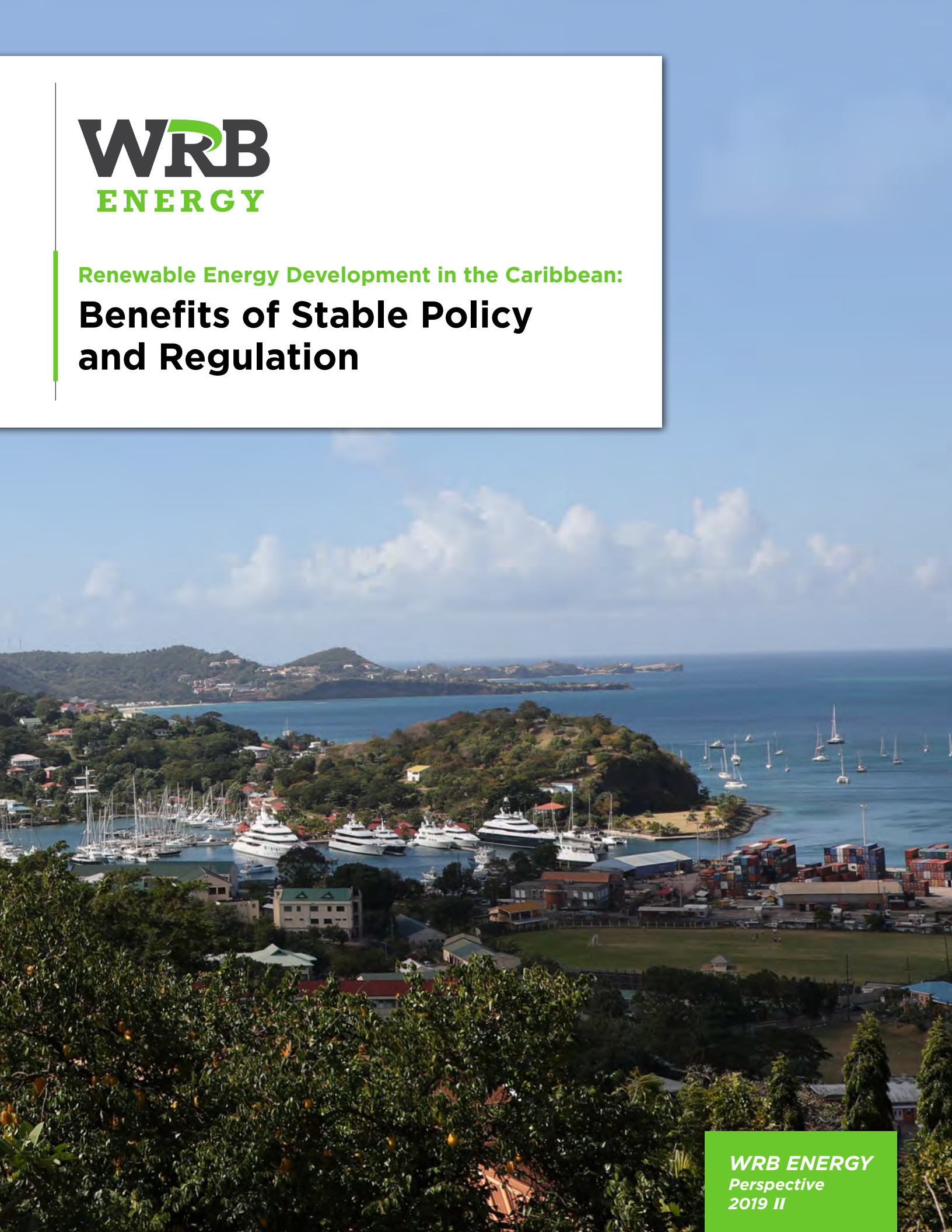
WRB ENERGY

Renewable Energy Development in the Caribbean:

Benefits of Stable Policy and Regulation



WRB ENERGY
Perspective
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Renewable Energy Development in the Caribbean:
Benefits of Stable Policy and Regulation

By Robert Blenker, President and CEO of WRB Energy

It may seem unusual for a renewables developer to promote the benefits of policy and regulation to drive increased renewable energy generation. However, clear policies and stable regulation offer long-term advantages for electricity consumers, utilities, independent power producers, system operators, and renewable energy developers.

Sound and consistent energy policy, action plans and regulation drive market transformation.

Caribbean nations with a realistic, clear, and long-term energy vision, backed by national energy policy and appropriate regulations, are best positioned to create a diverse, sustainable energy future.

Prudent policy and plans articulate broad energy aspirations. One might liken a national energy policy to a roadmap pointing to a desired future providing the context to achieve a nation's short- and long-term goals for generation mix, renewable energy targets, and broader goals of energy security, carbon reduction, price stability and environmental protection. This creates a framework and targets that increase the likelihood of renewable energy investments by credible investors, developers, and utilities.

Equally as important is effective and transparent regulation. Just as the policy is a roadmap, regulations represent the rules of the road that help create a path to achieving policy objectives, establish economic guardrails for developers and effectively allocate risk to the parties most capable of managing that risk. By managing and allocating risk, effective regulation assures the most competitively priced generation, transmission, distribution, and grid support. Sound energy policy and regulations bring a higher level of certainty for successful renewable project investments. The net result is a creative, stable, predictable path forward for cost-effective clean energy initiatives. Ultimately, a stable marketplace leads to more feasible energy options to help deliver the lowest priced energy generation and stabilize electricity costs for consumers, foster energy independence for national security, and combat climate change.

Driving market transformation: Trade-offs are inevitable, stakeholder buy-in is critical and disruptors will emerge.

With a level, consistent playing field for renewable energy development, the market drivers, including utilities, independent power producers, investors, and developers have the necessary knowledge and insights to make appropriate investment and economic decisions.

Utilities can focus on what they do best in forecasting, planning, and securing sufficient, least-cost energy supplies for long-term reliability and high-quality, affordable service delivery, as well as environmental well-being to serve the public good.
Investors can perform the required economic analysis confidently to minimize risk and secure a reasonable return on investment.

Independent power producers and developers are more assured of the rules of the tender process and the contractual responsibilities, commitments, and timeframes.

Roles and responsibilities

The market drivers each have roles and responsibilities in creating a stable energy marketplace that is realistic and economically sound.

Policymakers

Ideally, government, utilities, public interest groups, and other key stakeholders play a critical role in developing a nation's energy policy and regulatory protocols collaboratively. Otherwise, policy and regulation can change capriciously and be subject to shifts in political administrations or swayed by individual interests.

First and foremost, policy needs to remain constant to achieve mutual goals while being realistic and responsive to market conditions. It's a balance between understanding the characteristics of the region and the impacts of technology and economics. Often, there is asymmetry in knowledge and a gap between theoretical and real market conditions. Policy makers need to understand what makes sense from a technological and financial perspective.

Regulators

Regulators want to develop a portfolio standard that makes sense in their region to meet goals, both from technological and economic perspectives supporting policy. What technologies meet targets? What technologies are appropriate for the geography and resource—solar, wind, or geothermal? How quickly can the technologies be deployed, and at what cost?

Effective regulation and oversight require an open and honest conversation between utilities, government, and other stakeholders that includes:

- Realistic analysis of the market conditions and economics
- A prudent, technology-agnostic approach
- Short- and long-term strategies for energy sustainability and affordability.

Clear, specific regulation helps create a level playing field that accounts for all costs associated with an electric system's capacity, infrastructure, and maintenance for reliability and efficiency, including frequency, voltage, and reserves.

Regulation can also help ensure a well-defined tender process for the procurement of energy and services that establishes rules, responsibilities, and equitable pricing models. For example, in a tender for renewable energy (intermittent power), the additional costs associated with the integration of that energy onto the grid need to be acknowledged. These costs are related to frequency and voltage management and back-up energy when intermittent resources are not available. That said, technology is evolving quickly, e.g., energy storage. Regulators simply need to create a clear understanding of who bears those costs and assign the charges appropriately.

To realistically achieve least-cost generation, there needs to be a framework that factors in all of the components of generation, integration and grid maintenance for reliable, stable electric service delivery.

Integrating new technologies on an electric system comes at a cost. It's critical to determine what the actual, verifiable costs are and how those expenses are recovered reasonably to best serve the utility, power producer, investor, and consumer.

Developers

Appropriate policy and regulation can level the playing field and allow credible developers to provide viable, sustainable least-cost energy options. Developers can help drive technology, innovation, and financial and engineering models that can bring price certainty and energy supply predictability.

In addition, a well-regulated energy market can lead to increased workforce development and other social and environmental benefits.

Utilities

From a utility perspective, it's necessary to protect the interests of the company, its shareholders, and customers. Diversifying energy portfolios with increased renewable energy should be done in a prudent, balanced manner to maintain long-term reliability, stabilize prices, and protect the public good by serving all customers equitably. Electricity is vital to a nation's economic growth and the survival of its citizens.

Utilities, in collaboration with government and policymakers, need to decide how the nation's best interests are served versus individual interests.

Conclusion

The reality is that regulation of the electricity sector in the Caribbean is an evolving science within a changing landscape. To determine state-of-the-art energy solutions that are right-sized for the region requires policymakers and regulators with both a global vision and local knowledge and experience – a combination of skills that is challenging to find anywhere.

To create an economically viable, predictable energy marketplace, regional regulators must be divorced from political influence; independent of changing administrations in order to protect the rights of energy consumers, utilities, power producers, developers, and investors.

Finding capable regulatory boards is a challenge. However, there is positive movement in the region and an evolving level of maturity. Organizations such as *Caricom*, *Caribbean Renewable Energy Forum*, and *Carilec*, are helping governments, utilities, developers and other stakeholders learn from each other and create actionable national energy policies and regulatory frameworks to establish a path forward for a sustainable energy future.

Finally, partnerships between utilities, government, and power producers, as in *St. Lucia* and *Jamaica*, are increasing renewable energy generation collaboratively to achieve mutual goals for national security, energy affordability, and economic and environmental well-being.

About WRB Energy

Robert Blenker,
President and CEO of WRB Energy.

WRB Energy develops renewable energy projects in the Caribbean and Latin America to help stabilize electricity prices and reduce dependence on imported fuels to drive economic growth and sustainability. WRB Energy manages the entire project lifecycle including site selection, design, permitting, financing, construction, and operation.

Learn more about our approach.

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