Towards a regulatory framework for the utility sector of Curaçao: Lessons from international experiences

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“A regulatory framework: Making it good for everybody”
Outline of presentation

1. Developments in the economy of Curaçao
2. Natural monopolies in the utility markets
3. Trends in the regulation of utility sectors
4. Recommendations for a regulatory framework for the utility sector of Curaçao
Growth and inflation Curaçao
Debt Curacao

June 6, 2011
Balance of payments development
(in % of GDP)

- Current account balance
- Current account balance without debt relief
- External financing of the private sector
Trends in regulation of utility sectors

Before 1984:
- Utility sectors were state-owned monopolies
- Regulation to prevent market abuse

1984 – early 2000:
- Focus on increasing efficiency
- Liberalization: introduction of competition whenever possible
- Privatization: move from public ownership to private ownership
- Regulation to create level playing field
Trends in regulation of utility sectors

Lessons learnt:
- Challenges to ensure level playing field for all potential competitors
- Liberalization has not resulted in lower consumer prices in case monopolistic powers remain

Hence, “re-regulation” of utility sectors:
- In case of monopoly regulation needed to prevent market abuse
- Establish and regulate structures to facilitate competition in potentially competitive sectors
- Regulation through an independent regulatory agency
Regulation of utility sector in Curaçao

- Regulation
  - No regulation of competition, prices and consumer protection in the industry
  - Tariffs are set by the government
    - Previously advised by Department of Economic Affairs
    - Now advised by Bureau of Telecommunications and Post
Recommendations for regulatory framework for utility sector of Curaçao

- Establish an independent regulatory board in charge of:
  - Pricing
  - Consumer protection
  - Ensuring level playing field, if applicable
Recommendations for regulatory framework for utility sector of Curacao

A regulatory board should be designed such as to:

- enable for earning the revenue required to meet expenses in supplying a service
- enable for the continuity in delivering a secure and reliable supply of electricity and water
- attract new capital, satisfy ability to repay loans so as to maintain the confidence of investors
- provide correct price signals: the price of electricity should be closer to the cost of supplying the service
## Comparison regulatory frameworks selected Caribbean countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Status national energy policy</th>
<th>Sustainable Energy plan</th>
<th>Regulatory Framework</th>
<th>Legislative Framework</th>
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</thead>
<tbody>
<tr>
<td>Barbados</td>
<td>Draft energy policy developed</td>
<td>Being developed</td>
<td>Fair Trading Commission -utility regulation</td>
<td>Electric &amp; power act</td>
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<td></td>
<td></td>
<td></td>
<td>-Consumer protection - fair competition</td>
<td>Utilities Regulation act</td>
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<td>Fair trading Commission act</td>
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<td>St. Lucia</td>
<td>National Energy policy (approved)</td>
<td>Sustainable Energy plan (draft)</td>
<td>No independent regulator</td>
<td>Electricity supply act (1994)</td>
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<tr>
<td>The Bahamas</td>
<td>Draft policy developed</td>
<td>None</td>
<td>Public Utility committee</td>
<td>Public utility commission act</td>
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<tr>
<td>Grenada</td>
<td>Draft policy</td>
<td>Sustainable Energy Plan</td>
<td>No independent regulator</td>
<td>Electricity supply act.</td>
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<tr>
<td>Belize</td>
<td>Energy policy recommendations</td>
<td>None</td>
<td>-Public utilities commission multi-sector</td>
<td>Electricity act; Public utilities commission act</td>
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<tr>
<td>Dominica</td>
<td>Draft Energy policy</td>
<td>Draft Sustainable Energy Plan</td>
<td>-Independent regulatory commission</td>
<td>Electricity supply act; Geothermal Act</td>
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<tr>
<td>Curaçao</td>
<td>Draft: energy policy is now being developed</td>
<td>none</td>
<td>No independent regulator Currently BTP as of 2010</td>
<td>Unknown</td>
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Thank you
for your attention!