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Report No: ICR00004744

IMPLEMENTATION COMPLETION AND RESULTS REPORT

4935-GD, 4936-LC

ON THE

CREDITS

IN THE AMOUNT OF SDR 1.8 MILLION

(US$2.8 MILLION EQUIVALENT)

TO THE

GOVERNMENT OF GRENADA AND

SDR 1.8 MILLION

(US$2.8 MILLION EQUIVALENT)

TO THE

GOVERNMENT OF ST. LUCIA

FOR THE

EASTERN CARIBBEAN ENERGY REGULATORY AUTHORITY (ECERA) PROJECT

26 June 2019

Energy and Extractives Global Practice
Latin America and Caribbean Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective November 30, 2018)

Currency Unit =	East Caribbean Dollar (EC$)
EC$2.70 =	US$1
US$1.38 =	SDR 1

FISCAL YEAR

January 1–December 31

ABBREVIATIONS AND ACRONYMS

APL	Adaptable Program Loan
ECERA	Eastern Caribbean Energy Regulatory Authority
ECTEL	Eastern Caribbean Telecommunications Authority
ED	Executive Director
EGRIP	E-Government for Regional Integration Project
FM	Financial Management
ICR	Implementation Completion and Results Report
IRC	Independent Regulatory Commission
ISR	Implementation Status and Results Report
LNG	Liquefied Natural Gas
M&E	Monitoring and Evaluation
MTR	Midterm Review
NRA	National Regulatory Authority
NURC	National Utilities Regulatory Commission
OECS	Organisation of Eastern Caribbean States
PAD	Project Appraisal Document
PDO	Project Development Objective
PIU	Project Implementation Unit
PRAMS	Procurement Risk Assessment and Management System
PURC	Public Utilities Regulatory Commission
REC	Regional Energy Committee

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DATA SHEET

BASIC INFORMATION

Product Information

Project ID	Project Name
P101414	Eastern Caribbean Energy Regulatory Authority (ECERA)
Country	**Financing Instrument**
OECS Countries	Investment Project Financing
Original EA Category	**Revised EA Category**
Not Required (C)	Not Required (C)

Organizations

Borrower	Implementing Agency
Government of Grenada, Government of Saint Lucia	Saint Lucia Project Coordination Unit, Grenada Project Coordination Unit (PCU)

Project Development Objective (PDO)

Original PDO

The objective of the Project is to establish and operationalize a regional approach to the development of the electricity sectorinParticipating Countries by supporting the establishment of the ECERA.

FINANCING

	Original Amount (US$)	Revised Amount (US$)	Actual Disbursed (US$)
World Bank Financing			
IDA-49350	2,800,000	2,800,000	1,313,186
IDA-49360	2,800,000	1,671,292	1,418,428
TF-16770	300,000	167,447	167,447
Total	**5,900,000**	**4,638,739**	**2,899,061**
Non-World Bank Financing			
Borrower/Recipient	0	0	0
Total	**0**	**0**	**0**
Total Project Cost	**5,900,000**	**4,638,739**	**2,899,060**

KEY DATES

Approval	Effectiveness	MTR Review	Original Closing	Actual Closing
16-Jun-2011	21-Jun-2012	27-Feb-2015	31-Dec-2016	30-Nov-2018

RESTRUCTURING AND/OR ADDITIONAL FINANCING

Date(s)	Amount Disbursed (US$M)	Key Revisions
24-Jun-2016	2.42	Change in Implementing Agency Change in Results Framework Change in Loan Closing Date(s) Change in Disbursements Arrangements Change in Institutional Arrangements Change in Financial Management Change in Procurement Change in Implementation Schedule

KEY RATINGS

Outcome	Bank Performance	M&E Quality
Unsatisfactory	Moderately Unsatisfactory	Modest

RATINGS OF PROJECT PERFORMANCE IN ISRs

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US$M)
01	13-Aug-2011	Satisfactory	Satisfactory	0
02	23-May-2012	Moderately Unsatisfactory	Moderately Unsatisfactory	0
03	16-Dec-2012	Moderately Satisfactory	Moderately Satisfactory	.50
04	30-Oct-2013	Moderately Satisfactory	Moderately Satisfactory	1.00
05	07-May-2014	Moderately Unsatisfactory	Moderately Unsatisfactory	1.00
06	17-Dec-2014	Moderately Unsatisfactory	Moderately Unsatisfactory	1.10
07	16-Jun-2015	Moderately Unsatisfactory	Moderately Unsatisfactory	2.05
08	30-Dec-2015	Moderately Unsatisfactory	Moderately Unsatisfactory	2.10
09	28-Jun-2016	Moderately Satisfactory	Moderately Satisfactory	2.42
10	29-Dec-2016	Moderately Satisfactory	Moderately Satisfactory	2.59
11	25-May-2017	Moderately Satisfactory	Moderately Satisfactory	2.59
12	17-Jan-2018	Moderately Satisfactory	Moderately Unsatisfactory	2.59
13	13-Sep-2018	Moderately Unsatisfactory	Moderately Unsatisfactory	3.18

SECTORS AND THEMES

Sectors

Major Sector/Sector	(%)
Energy and Extractives	**100**
Public Administration - Energy and Extractives	100

Themes

Major Theme/ Theme (Level 2)/ Theme (Level 3)	(%)

Economic Policy	**50**
Trade	50
Trade Facilitation	50
Private Sector Development	**50**
Business Enabling Environment	50
Regulation and Competition Policy	50

ADM STAFF

Role	At Approval	At ICR
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I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

A. CONTEXT AT APPRAISAL

Context

1. The Organisation of Eastern Caribbean States (OECS), established in 1981 under the Treaty of Basseterre, is composed of nine states, including six independent states that are members of the Association and IBRD—Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines—and the British territories of Anguilla, the British Virgin Islands, and Montserrat.

2. OECS member states are very small economies. At the time of project appraisal, these economies largely depended on services, tourism, and agriculture. Key challenges in the region's infrastructure sector are overall related to performance in service delivery—in terms of affordability and financial sustainability—rather than to access, as such. Because of government policies that established the provision of infrastructure services as a key policy priority, the OECS countries were successful in increasing access to electricity and water. At appraisal, electrification rates exceeded 95 percent in all the countries concerned. However, electricity prices were exceptionally high and utility oversight was limited as discussed in the next section.

Sectoral and Institutional Context

3. In all OECS member states, Electricity Supply Acts offered utilities exclusive licenses to produce and distribute electricity. Each OECS member state's electricity supply was dominated by a single supplier. In Dominica, Grenada, and St. Lucia, the electricity suppliers were privately owned and operated. In the other member states, they were owned by the state. In the case of Antigua and Barbuda, one large private electricity producer sold its electricity to the state-owned single buyer.

4. Based on the legislative framework, with the exception of Dominica, the oversight of electrical utilities was limited. As a result, operational efficiencies of some utilities were low, and their equipment was aging, placing electricity supply reliability at risk. Integrating surplus electricity from auto-producers into the grid and investing in wind or geothermal electricity production were considered options to improve the overall performance of the electricity supply sector. However, it was clear that such time-consuming investments would benefit from a clear regulatory and investment framework, along with incentives/penalties for the existing utilities to invest.

5. Electricity prices in the OECS countries were among the highest in the world, reaching US$0.40 per kWh in some cases. Part of this situation was due to structural reasons that drove costs up and reduced the scope for cost limitations (insularity, small size of the electricity systems, and lack of alternatives to fossil fuel-based generation). The need for regulatory reinforcement was also part of the issue. Stronger and more efficient regulation in the OECS was not needed to trigger a broad sector reform that would enable wide competition in electricity supply, but rather to improve the oversight of utilities, to increase the capacity to design and implement mechanisms for electricity cost reduction, to reduce

cost volatility by diversifying energy supply away from fossil fuels, and to ensure least-cost investments in electricity supply.

6. In January 2007, Heads of States agreed that electricity supply challenges should be addressed regionally through a two-track approach, focusing on (a) improving the regulatory framework for electricity sector governance and (b) diversifying sources of generation, including from renewables.

7. In response to this, a proposal was developed for the establishment of a regional energy regulator—the Eastern Caribbean Energy Regulatory Authority (ECERA)—as a way to improve efficiency in electricity service delivery in member states. OECS members collectively endorsed the proposal in May 2009. The endorsed proposal specified that the ECERA would be located in St. Lucia.

8. The first set of OECS member states expressing formal individual interest in establishing the ECERA was Grenada and St. Lucia, two countries in which the importance of the regulatory reinforcement was felt more acutely than in the rest of the OECS countries, because their main electricity utilities were privately owned and required independent regulatory oversight that the states were individually unable to provide. The Heads of State of other countries reiterated their interest in setting up the ECERA for the benefit of all the OECS countries. To initiate the process, it was agreed that the OECS Secretariat would act as the implementing agency on behalf of St. Lucia, Grenada, and Antigua and Barbuda to facilitate the establishment of the ECERA. The Caribbean Community's Council for Trade and Economic Development also supported the creation of the ECERA.

9. The ECERA Program was part of the World Bank Group's Regional Partnership Strategy 2010–2014 (Report No. 53762-LAC) discussed by the World Bank's Board on June 8, 2010. Establishing a regional regulatory authority was seen as instrumental for increasing efficiency improvements in electricity service delivery and helping to optimize the utilities' fuel choices and procurement of renewable energy. Specifically, the regulatory authority was tasked with

- Exerting pressure for efficiency on electricity companies that were not subject to regulatory oversight and
- Improving the scrutiny of the incumbent utilities' generation capacity expansion plans, requiring them to purchase power from independent producers in cases where doing so could lower the total system costs.

10. The ECERA received support from various electricity utilities and the Caribbean Electric Utility Services Corporation. Most importantly, setting up the ECERA was also compatible with the effort carried out by the OECS toward increased regional integration, which led to the creation of the Eastern Caribbean Telecommunications Authority (ECTEL), the Eastern Caribbean Civil Aviation Authority, the Eastern Caribbean Central Bank, and the Revised Treaty of Basseterre establishing the OECS Economic Union.

11. The lending instrument proposed was the Adaptable Program Loan (APL). The APL is horizontal, which means that each OECS member state that was a member of the Association or IBRD could participate in the program when ready, as long as the triggers necessary to launch a new APL phase were fulfilled. The World Bank would consider making financing available to additional countries wishing to join

at a later stage, in subsequent phases of the APL. However, only St. Lucia and Grenada eventually joined the ECERA.

Higher Level Objectives to which the Program Contributed

12. Throughout the program preparation process and the corresponding consultations with stakeholders, OECS members agreed that sharing resources, coordinating efforts, and harmonizing regulatory frameworks would facilitate achieving several high-level national policy goals, including energy security, competitiveness of their respective electricity supply industries, and more energy diversification.

13. Establishing the ECERA was an integral part of the broader efforts by the OECS to increase regional integration. As a regional entity, the ECERA was expected to (a) maximize economies of scale in regulating the electricity sector, (b) enable better utilization of scarce skilled human resources, and (c) increase the capacity of OECS members to implement regional-scale arrangements for electricity trade by providing the necessary regulatory tools. Through its regulatory powers, the ECERA was expected to provide incentives to save energy, enable electricity cost savings to consumers, and in the longer term, offer lower electricity price volatility by helping to reduce reliance on diesel.

14. In addition, once set up, the ECERA would provide a higher degree of regulatory certainty and lower regulatory risk to utilities, investors, and consumers across the OECS member states. The ECERA would operate with regard to the specific electricity sector policies and sector structures of the individual member states, at the same time facilitating coordination and gradual harmonization of national regulations to encourage investments in the sector and help the individual states implement their national electricity sector policies.

Program Objective and APL Phases

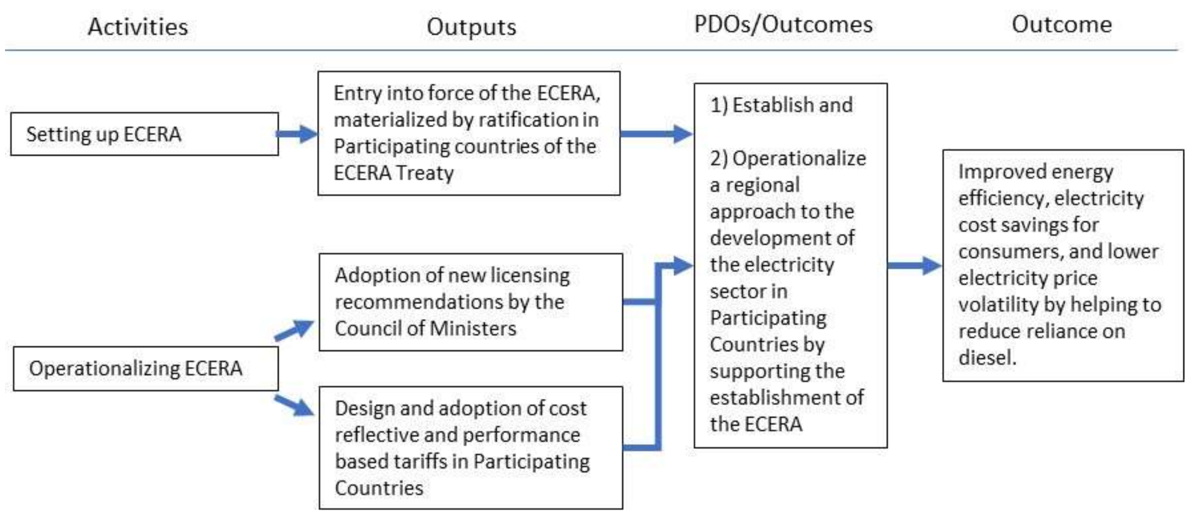
15. A first phase of the APL would launch the process with Grenada and St. Lucia to set up the ECERA. Other states that are members of the OECS expressed interest to join the ECERA Program at a later date. Subsequent phases of the program would be activated each time an additional OECS member state that was a member of the Association or IBRD (Antigua and Barbuda, Dominica, St. Kitts and Nevis, and St. Vincent and the Grenadines) requested to join the ECERA Program. A critical number of at least two countries was judged as necessary to initiate and design the ECERA Program and to ensure that regional benefits materialized.

16. **APL phases triggers.** Before the ECERA was legally established, additional countries wishing to join the ECERA Program would only need to formally express interest in doing so and to indicate whether they were interested in obtaining World Bank financial support. After the ECERA became a legal entity, countries wishing to participate would need to confirm their intent to accede to the treaty establishing the ECERA and express whether they were interested in obtaining World Bank financial support. The terms of accession to the treaty, including the cost sharing between the initial and the new participants, would be determined during the process of treaty negotiation (Part A of the project). When an additional country joined the ECERA Program, the corresponding activities would imply an additional cost to the program that would be covered by the new participant.

Theory of Change (Results Chain)

17. The project was expected to establish and operationalize a regional electricity regulatory entity, the ECERA. Establishing the ECERA would contribute to improving public confidence in electricity sector governance through, among other things, stronger independent technical advice on electricity tariffs, licensing, and other sectoral policies. Furthermore, the ECERA would improve the investment climate in the region's electricity sector, which in turn would facilitate the implementation of renewable energy projects and possibly future electricity cross-border interconnections across islands. Establishing the ECERA would help increase operating efficiency in the electricity sector.

Figure 1. Theory of Change: ECERA Project



Project Development Objectives (PDOs)

18. The PDO, which is consistent in both the Project Appraisal Document (PAD) and legal documents, is to establish and operationalize a regional approach to the development of the electricity sector in Participating Countries by supporting the establishment of the ECERA.

Key Expected Outcomes and Outcome Indicators

19. The following indicators were identified:

- Entry into force of the ECERA, demonstrated by ratification of the ECERA Treaty by the Participating Countries (corresponding to Part A of the Project).
- Adoption of new licensing recommendations by the ECERA Council of Ministers (corresponding to Part B of the Project).
- Design and adoption of cost-reflective and performance-based tariffs in Participating Countries (corresponding to Part B of the Project).

Components

20. **To establish and operationalize the ECERA, the project had two components:**

- **Part A: Setting up the ECERA (US$2.61 million)** focusing on the creation of a new institutional, legal, and regulatory framework for the electricity sector of the participating countries.

- **Part B: Operationalizing ECERA (US$2.99 million)** covering operating costs, including specific core regulatory tasks.

B. SIGNIFICANT CHANGES DURING IMPLEMENTATION (IF APPLICABLE)

Revised PDOs and Outcome Targets

21. The PDOs and targets were not revised.

Revised PDO Indicators

22. The following two PDO indicators were dropped: (a) 'Adoption of new licensing recommendations by the Council of Ministers (corresponding to Part B)' and (b) 'Entry into force of the ECERA as the regulator of Participating Countries electricity markets, materialized by ratification in Participating countries of the ECERA Treaty (corresponding to Part A)'; and one PDO indicator was added: 'ECERA provides advisory support to regional national authorities as a regional regulatory advisory agency to national regulatory authorities in participating countries.'

Revised Components

23. The project was restructured in June 2016. During the midterm review (MTR) mission in March 2015, the participating countries decided that the national Project Implementation Units (PIUs) would implement Part B of the ECERA. This was reconfirmed during each subsequent Regional Energy Committee (REC) meeting, thus, the emphasis of the ECERA changed to an entity that will support the national regulatory agencies in Grenada and St. Lucia, rather than serving as a regulatory authority itself. Furthermore, the national PIUs also replaced the OECS Secretariat as the project implementing entity in Part B of the project, and therefore, the definition of the ECERA was changed to that of a regulatory agency, instead of an authority.

Other Changes

24. The project closing was extended from December 2016 to November 2018, because of slow progress toward achieving the PDO, primarily due to the delay in completion of Part A and in the launch of the ECERA. Part A was extended to complete ongoing activities and disburse the remaining resources. Part B, the operationalization of the ECERA, commenced in September 2016.

Rationale for Changes and Their Implication on the Original Theory of Change

25. In March 2015, the participating countries—St. Lucia and Grenada decided that the national PIUs will implement Part B of the ECERA. The national PIUs would replace the OECS Secretariat as the project implementing entities in Part B of the project. As such, the previously agreed-upon disbursement arrangements would be modified and the PIUs would be responsible for disbursements. The project had been unable to attract firm commitments from other countries, which increased the financial burden on the participating countries, Grenada and St. Lucia. The idea of a third-party regulatory agency was thus considered irrelevant by the participating countries. Given the regulatory priorities in the region, the participating countries determined that it would be preferable to establish national regulatory authorities (NRAs) and draw on the ECERA for harmonized advisory support, rather than establishing a single regional regulator.

26. Therefore, the Council of Ministers would be formed to serve as an advisory board for the ECERA but would not have authority for the adoption of new licensing recommendations. Rather the national governments of the participating countries would have authority for adopting recommendations. Also, the scope of the ECERA was changed from a regulatory authority to an advisory body for the NRAs with a statutory establishment through an agreement and not a treaty.

27. Thus, the change in scope of the ECERA including a change in the implementing agency led to revisions in the disbursement arrangements, institutional arrangements, financial management (FM), procurement, and implementation schedule. Some PDO indicators were dropped including the mandate of the Council of Ministers and the legal standing of the ECERA. The loan date was extended to provide more time to realize this revised scope and the theory of change.

II. OUTCOME

A. RELEVANCE OF PDOs

Assessment of Relevance of PDOs and Rating

28. **Relevance is rated Substantial.** The PDOs were aligned with the World Bank Group's Regional Partnership Strategy for the OECS (FY15–19), (Report No. 85156-LAC) especially with respect to enhancing competitiveness to increase private sector participation (in the electricity sector) and public sector modernization for the sector. The strategy also recognized that the 'cost of electricity in the OECS is among the highest in the world, creating an additional constraint on competitiveness and poverty reduction', and that 'nonetheless, OECS countries have the potential to better diversify their energy matrix through more renewables, thereby reducing their dependence on imported fossil fuels, enhancing the reliability of their energy supply, and lowering electricity costs over the long run.' The objective of the project was to create the regulator, that could be the enabler for this diversification. Thus, the project was aligned with the 'Competitiveness' column of the strategy, specifically related to Outcome 1: Improved Investment Climate, as well as the 'Public Sector Modernization' column, where the World Bank is supporting 'more effective and transparent public administrations, more robust institutional capacity, and stronger frameworks for partnership with the private sector', and where it contributed to Outcome 5: Strengthened capacity to manage PPPs.

B. ACHIEVEMENT OF PDOs (EFFICACY)

Assessment of Achievement of Each Objective/Outcome

29. **Efficacy is rated Modest.** The objectives/outcomes were only partially met by the end of the project. The ECERA was set up as the regional regulatory advisory agency. However, it is not yet operational and does not perform any advisory functions. The ECERA was established and incorporated as an entity but due to delays in implementation, including the hiring of the executive director, no staff have been hired to operationalize the ECERA.

30. The project was not able to fully implement Part B within the project duration, and as a result, the revenue stream that would finance and self-sustain the ECERA (from license and permit fees) does not currently exist. However, much work was initiated by the National Utilities Regulatory Commission (NURC) in St. Lucia and the Public Utilities Regulatory Commission (PURC) in Grenada and is well under way. For example, the electricity tariff-setting framework and regulation on licenses/permits are under development/finalization in both countries. However, the NRAs were not able to complete the work on regulations and are not yet self-sustaining.

31. Furthermore, the restructuring could have better articulated the changed objectives, outcomes, and deliverables with more emphasis on the NRAs. In both countries, the NRAs were established, and the commissioners were appointed. The restructuring should have reflected the change in PDO as the mandate of the ECERA changed from a regulatory authority to regulatory advisory. Also, the PDO statement did not convey the benefits expected to flow to the beneficiaries, expressed in terms of development outcomes; instead, it reads more as a statement of financed activities and outputs.

32. Going forward, it is unclear whether the ECERA will be able to render its functions effectively as it will be a challenge to keep other countries engaged. Further, the NRAs may focus on individual country approach versus regional approach, especially in the absence of regional power trade. The advisory role will be useful if the current model shows success and attracts more member countries.

Justification of Overall Efficacy Rating

33. The efficacy rating is Modest because the project partly achieved its PDO, notably the ECERA was established; however, it has not been staffed and operationalized.

C. EFFICIENCY

Assessment of Efficiency and Rating

34. **The efficiency rating is Negligible.** According to the PAD, at project preparation, the economic analysis had estimated the cost of ECERA as its annual operating cost of about EC$0.60 per kWh delivered assuming that two OECS states join the ECERA Project. This would be less than 1 percent of customer bills. No changes were made to the economic and financial analysis at restructuring. This does not represent a typical economic analysis for World Bank lending projects and is therefore hard to use for a full efficiency assessment.

35. The overall objective of the project relied on operationalization of the NRAs. Given the new vision for the ECERA, it was agreed to host the ECERA in one of the NRAs resulting in cost savings, proximity to the daily operations of the regulators, and independence from regional organizations. However, the regulations on licensing and permits are not yet in place; therefore, the NRAs are currently being financed through the national budget in each country and the operating cost is not being recovered from electricity bills.

36. Further, the project duration was really long. From inception to closure, the project elapsed 12 years (5 years for preparation and 7 years for implementation). Based on a review of the project cycle, a total of US$2.5 million was spent from World Bank budget funds (US$0.5 million in preparation and US$2.0 million in supervision), and an additional US$300,000 Trust Fund to try and facilitate wider participation, for a project that only disbursed 50 percent of the total (US$2.8 million of the total US$5.9 million) and achieved a development outcome that is seriously at risk.

37. In summary, the ECERA is not self-financed at completion and several aspects of design and implementation delayed the project significantly resulting in high preparation and supervision costs compared to actual disbursements. Therefore, the efficiency rating is Negligible.

D. JUSTIFICATION OF OVERALL OUTCOME RATING

38. **The overall outcome rating is Unsatisfactory** based on a PDO relevance rating of Substantial, Modest for efficacy, and Negligible for efficiency. The project design and objectives were relevant and of strategic importance. However, the restructured project continued to focus heavily on the outcomes relevant to the establishment of the ECERA agency and did not fully capture the modified outcomes with respect to the NRAs. The establishment of the NRAs was a big achievement for the project and the accompanying regulatory work that is currently in progress. However, the operationalization of the ECERA which is the main focus of the PDO and outcomes were not achieved and the use of resources was quite inefficient with respect to the (partial) outcome delivered through the project.

E. OTHER OUTCOMES AND IMPACTS (IF ANY)

Gender

39. The project did not have a gender tag. However, both St. Lucia and Grenada are good examples of gender balance in the workforce, and this is reflected in the project. Most of the key personnel of the project were women, including the permanent secretaries of both countries. Furthermore, the project coordinator during Part A of the project, under the auspices of the OECS Commission, was also a woman.

Institutional Strengthening

40. The project was successful in establishing the NRAs with a focus on strengthening national institutions and regulatory capacity. The project created the enabling conditions for sector reforms that would not have been initiated otherwise.

Mobilizing Private Sector Financing

41. The ECERA Project is helping catalyze private sector investment, as the investors in renewable energy are keen on having an independent regulator (NRAs) before considering the large investment in the sector in OECS countries.

Poverty Reduction and Shared Prosperity

42. As referenced in the context section, electricity prices in the OECS countries were among the highest in the world, reaching US$0.40 per kWh in some cases. Part of this situation was due to structural reasons that drove costs up and reduced the scope for cost limitations (insularity, small size of the electricity systems, and lack of alternatives to fossil fuel-based generation). The project focused on aspects that could contribute toward lowering the price of energy, and so contributing toward improving the competitiveness of the countries. Furthermore, the activities would contribute to enabling greater diversification of the energy matrix improving resilience for the population.

Other Unintended Outcomes and Impacts

43. **Not applicable.**

III. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME

A. KEY FACTORS DURING PREPARATION

44. The project design was influenced by a number of factors in the region, primarily related to the diversification of the energy matrix away from oil, and how the islands could best capture the gains of this diversification. There were two key developments that drove interest and action on part of the participating countries. First, Dominica was developing its geothermal sector, whereby the expectations were that they would be producing excess energy available for export. As part of this diversification process, they established the Independent Regulatory Commission (IRC), and as such, became a driving force for the establishment of the ECERA. Second, discussions for a gas pipeline from Trinidad and Tobago to the region were also under way, as well as general sectoral changes to increase renewable energy in the energy mix. The countries had concluded that given these changes, there was a need for an overarching agency to oversee this, and it would be more cost-effective to have a regional body covering all OECS islands. These discussions occurred at a time when the telecom sector had created a regional body, ECTEL, which had successfully been implemented as a regulatory body covering the islands, as well as a World Bank-financed E-Government for Regional Integration Project (EGRIP) was under execution. It was, thus, believed a similar approach could be used in the case of the energy sector.

45. **Preparation of the project took approximately five years.** The World Bank perhaps overestimated the regional demand and readiness for this project. While St. Lucia and Grenada participated, the other countries were reluctant to do so, thus hampering the feasibility of establishing a regional regulator. Discussions with other OECS countries did not bear the desired results and the World Bank went ahead to prepare the project with only two participating countries. Finally, the preparation phase also saw a large turnover of World Bank staff, thus having an impact on the time line.

B. KEY FACTORS DURING IMPLEMENTATION

46. At the time of project approval, Dominica decided to not join the ECERA and focused on strengthening its own IRC given that they were already quite advanced in geothermal development. So, at project approval and implementation, only two countries were included, St. Lucia and Grenada. The ECERA moved forward with just two participating countries. The key driving factors that resulted in the ECERA Project design as a regional approach, that is, excess geothermal energy export and gas pipeline from Trinidad and Tobago, did not materialize. There was an expectation that once the abovementioned factors materialized, other countries would join the ECERA, which did not happen either.

47. During implementation, Part A led by the OECS Secretariat took almost five years for completion, leaving very little time for Part B implementation. In many cases, St. Lucia expressed concern that delays resulted from slow progress in review and approval of Part A outputs by Grenada. During Part A implementation, several attempts were made by the World Bank to expand the regional participation in the ECERA. Other countries in the region (Antigua and Barbuda, St. Vincent and the Grenadines, and St. Kitts and Nevis) were invited as observers to the REC meetings with the hope that they would join the ECERA, and even a grant of US$300,000 provided under the Support for Small Island Developing States (SIDS) was obtained by the OECS Commission to finance outreach programs, but the attempts were not successful. In 2016, the project was restructured to change the scope of the ECERA to be an 'agency' as opposed to an 'authority' and extend the closing date by about two years. This change was made because it was not logical to have a regional regulatory authority for two countries without any regional market for energy or power. Further, the participating countries identified the need to strengthen national regulations and capacity to meet their national targets for sustainable/renewable energy and private sector participation. This was not factored into the original project design that focused on the regional regulatory authority.

48. After completion of Part A, the ECERA was established through a legal agreement as a prerequisite for disbursement toward Part B. One more step/prerequisite was to hire an executive director (ED) for the ECERA. St. Lucia highlighted unexpected delays in the hiring process from Grenada in completing the selection process to move forward with the final successful candidate. Overall, both countries found the hiring of the ED to be a very long process as the successful candidate negotiated for a long time. The position was not particularly attractive given the short project duration that would be left after the ED's joining and that the candidate would be moving from overseas (within the region). After long but unsuccessful negotiations with the candidate, the NRAs opted for an alternative, to contract a technical coordinator who helped guide the NRAs on activities under Part B. This could have been reflected as a revised Procurement Plan during restructuring because the ECERA agency did not need an ED to carry out its functions.

49. The project also experienced some delays during the change in government in St. Lucia; however, the same government, re-elected after March 2018 elections, continued in Grenada. Additionally, from inception to closure, the World Bank staff turnover was high for this project and it saw at least four task team leaders, thus having an impact on both the flow and decision making. Thus, changes in the St. Lucia government as well as the World Bank team hampered project implementation.

50. One additional factor affecting the performance, and focus, of Grenada, is an ongoing dispute between Grenada Private Power Limited (GPP), the 50% shareholder of the operator (Grenlec), and its

parent company WRB Enterprises Inc. (WRB) with the Government of Grenada. The dispute arose as a result of the passing of the Electricity Supply Act 2016 and the Public Utilities Regulatory Commission Act 2016, which took effect on August 1, 2016, in which Grenlec claims these two Acts cause substantial adverse operational and economic consequences for Grenlec, including (although by no means limited to) Government's effective abrogation of the Grenlec license that the SPA parties committed to establish as the central aspect of Grenlec's privatisation in 1994.

51. A request for arbitration was filed with the World Bank's International Centre for Settlement of Investment Disputes (ICSID), whereby GPP and WRB are requesting that the Government of Grenada repurchase the 50% Grenlec shareholding that the Government previously sold to GPP, and is based on the Share Purchase Agreement (SPA) that Government, GPP and WRB entered into in conjunction with Government's privatisation of Grenlec in 1994.

52. At the time of the completion of this ICR, this arbitration has not yet concluded.

IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

A. QUALITY OF MONITORING AND EVALUATION (M&E)

M&E Design

53. **The M&E design is rated Modest.** As mentioned earlier, the PDO statement did not convey the benefits expected to flow to the beneficiaries, expressed in terms of development outcomes; instead, it read more as a statement of financed activities and outputs. The indicators identified against this PDO were sufficient to assess the achievement of the project, whereby the project's objectives—establishment and operationalization of the ECERA–would be accurately assessed using the proposed indicators. At restructuring, the project also dropped (a) 'Adoption of new licensing recommendations by the Council of Ministers (corresponding to Part B)'; and (b) 'Entry into force of the ECERA as the regulator of Participating Countries electricity markets, materialized by ratification in Participating countries of the ECERA Treaty (corresponding to Part A)' and one appropriate PDO indicator was added 'ECERA provides advisory support to regional national authorities as a regional regulatory advisory agency to national regulatory authorities in participating countries.' to measure the overall progress toward the PDOs. However, there was still a gap in the M&E framework. The need to create the national regulatory agencies is only relatively reflected in the revised PDO indicator target whereby it states: 'National energy regulatory bodies receiving advisory support from the regional ECERA'. The framework does not address the actual creation and operationalization of the national regulatory bodies, which was essential to track progress of the restructured project, and ultimately the delays in having the national bodies being operational prevented the project from achieving its objectives. In terms of the Theory of Change, in effect, a new layer was created, which was not adequately monitored.

M&E Implementation

54. **The M&E implementation is rated Substantial.** The M&E was collected and analyzed to track implementation, and the status was updated in the project's 12 Implementation Status and Results Reports (ISRs). In fact, the ISRs' results sections were quite detailed on the status of each indicator,

separating between the performance of both St. Lucia and Grenada, and how they contributed toward the PDO. As mentioned above, the M&E design was not revised to include specific indicators for the creation of the NURC and PURC. However, the framework indirectly reported on them through the existing (or revised) indicators.

55. Furthermore, the restructuring of the project demonstrated the effort of changing the indicators to reflect the new reality, as exemplified by the explanation in the restructuring document: "The scope of ECERA was changed from a regulatory authority to an advisory body for national regulators with a statutory establishment through an Agreement and not Treaty. Therefore, the PDO indicator should be revised to reflect the changes in scope." Therefore, both the PDO-level and intermediate indicators were added to track progress of the revised project.

M&E Utilization

56. **The M&E utilization is rated Substantial.** The M&E framework was used to inform project management and decision making. The OECS Commission, which was charged with the implementation of Part A of the project, also tracked the reported information. Upon the completion of their portion of the project, a report was submitted to the OECS Commission management and REC, with a detailed status and output of all the project contracts. The MTR, prepared in December 2014, went into great detail of each indicator assessing its status, not only whether it was achieved, but what were the aspects and implications of the ongoing changes in the direction of the ECERA (from authority to adviser). Thus, the M&E framework was critical to the decisions being made to restructure the project. However, while data was collected and passed on, actions and decision making were not timely—as reflected by the delays in implementation and timing of the restructuring of the project.

Justification of Overall Rating of Quality of M&E

57. **The overall M&E is rated Modest.** The M&E framework was constantly updated and used for management decisions, which would have warranted a rating of Substantial. However, the PDO formulation and the shortcoming in that the restructured project did not adequately account for the creation of the national regulatory bodies, despite all the other good M&E design work, are big enough shortcomings to downgrade the overall rating to Modest.

B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

58. **Safeguards.** The project did not trigger any safeguards policies and was classified as Category C. It was originally envisioned solely to establish a regional regulatory agency (Part A) and support analytical studies (Part B). It was agreed that any work-related studies under Part B prepared with World Bank financing would be consistent with safeguards policies, but these studies were never undertaken; instead, establishment and strengthening of regulatory agencies in St. Lucia and Grenada were accomplished under Part B.

59. **Procurement.** No procurement issues were found during Part A of the project, although a Procurement Risk Assessment and Management System (PRAMS) was not prepared for Part A, and the procurement performance was rated Satisfactory until December 2016. It was then slightly downgraded to Moderately Satisfactory due to a lack of dedicated procurement staff by the OECS implementing

agency. When the project progressed to Part B, a PRAMS was prepared, and performance and capacity of St. Lucia and Grenada were downgraded to Moderately Unsatisfactory, a rating which did not change until the end of the loan implementation time due to the several delays in implementation. With not enough contracts to review, there was no procurement mission, nor a post review done for the mentioned Part B of the project. Rating for procurement was Moderately Unsatisfactory because of delays in overall implementation.

60. **FM.** From an FM perspective, the ECERA Project carried a Moderate FM risk throughout the project period and had acceptable FM arrangements. The financial reports were normally adequately prepared, though sometimes delayed. The audit reports received for the project were acceptable and provided no exceptions to the use of funds for the intended purposes. The project closed with an FM performance rating of Moderately Satisfactory with no significant FM issues to achieve the PDOs.

C. BANK PERFORMANCE

Quality at Entry

61. **The quality at entry is rated Moderately Unsatisfactory.** While the overall concept of the project has strategic relevance, is consistent with the regional strategy, and is technically and economically coherent to addressing the regional issues (pooling together capacity for the benefit of the small countries, to gain economies of scale), in a similar manner that other regional entities have been created (for example, ECTEL for telecom and an airspace regulator), the project design had significant shortcomings, which ultimately contributed to the non-achievement of the PDOs.

62. Project preparation was time consuming and took approximately five years. The World Bank perhaps made a wrong judgment regarding the regional demand for this project. While St. Lucia and Grenada participated, the other countries were reluctant to do so, thus hampering both the technical and financial feasibility of establishing a regional regulator. Discussions with other OECS countries did not bear the desired results and the World Bank had to prepare the project with only two participating countries. Moreover, the preparation phase also saw a turnover of World Bank staff, thus having an impact on the time line.

63. The design did not consider the differences and complexity of the energy sector. Unfortunately, the uniqueness and challenges of each country meant that as a first step, a national body would be necessary, to fully grasp the issues and conditions, such as existing contractual conditions between the distribution company and energy generating companies. In the case of ECTEL, the regional regulator engages the same players for all countries. In the case of energy, this is not the case, as generating companies may be operating in only one country.

64. This design flaw was recognized as the basis for the need to restructure the project, and a key reason behind the partial completion of the objectives (only having the ECERA created, but not operationalized). The benefits of having a regional authority/adviser are recognized by the NURC and PURC; however, the operationalization of the ECERA could only work in practice after the national regulators were created.

65. The project should have determined and agreed upon the financial sustainability mechanism, in detail, earlier during the design stages. In relation to the point regarding the complexity of the energy sector, the result of the consultancy services executed during Part A of the project showed that the idealized financing mechanisms proved to be expensive and unsustainable. In effect, there would have been no economies of scale for the ECERA to operate as a regional entity, given that the manner in which a regional energy regulator would finance itself is quite different to how, for example, the telecom regulator can finance itself (in the case of telecom, it is a fee for the use of a bandwidth to be used over the islands—something for which there is no equivalent for energy).

66. Another issue which turned out to be a strain was the limited number of countries participating in the project with just St. Lucia and Grenada. In fact, for two related issues (delays of the ECERA coming into force and changes in the Government), the risk mitigation was 'Increase the number of participating countries'. Indeed, the change in government of St. Lucia caused delays; however, the design did not account other countries not joining as a risk—even though one of the countries (Dominica) had decided not to join during project design. Furthermore, following the March 2014 supervision mission, ISR 5 states: "…the representatives from Grenada and St. Lucia both expressed doubt that there would be adequate rational to move the Project to Phase B unless at least two more participating countries join the ECERA."

Quality of Supervision

67. **Quality of supervision is rated Moderately Unsatisfactory.** While the World Bank focused on the development impact, supervised the fiduciary aspects, provided the adequate supervision missions, and was candid in the quality of performance reporting, corrective actions were not fully supported through the restructured loan.

68. In terms of the task team's support, the various ISRs were candid, such as downgrading the project early and signaling issues for management attention, such as where specific delays were happening with consultancies, and what corrective actions were being taken. Furthermore, the World Bank made efforts to support the project, trying to attract other OECS countries to join the ECERA, through briefings, workshops, and missions. The World Bank also aided in reviewing the recommendations for legislation for the establishment of the ECERA, as a legal entity. Following the MTR, the World Bank also recognized the need to restructure the project, whereby 'a centralized regional regulatory authority with a full contingent of staff and sweeping powers to discharge regulatory functions would not be appropriate given the current needs of the countries and the low level of commitment to the ECERA in the region'.

69. The major shortcoming of the restructured project was that, while it recognized the need for the creation of the national regulatory bodies (where there were no regulators before), there was no financial support to help establish them—that is, no subcomponent was created, and funds allocated, to support the creation of the PURC and NURC. By not having this support, their establishment occurred at a much slower pace than expected, and both did not become fully operational by the time the project closed.

Justification of Overall Rating of Bank Performance

70. **The overall rating for World Bank performance is Moderately Unsatisfactory.** The project was strategic in nature, aligned with the OECS regional strategy, and coherent in its intent. Furthermore, the World Bank supported the project in both phases, recognized the need for adjustments with the

restructuring, and tried to expand its scope to include other countries. However, the flaw in the project's design, a possibly wrong judgment about the regional demand for the project, World Bank staff turnover, and insufficient adjustment to correct the project design defect, by creating a financing line to aid in the creation of the national regulatory bodies, proved to be too much of a challenge to overcome in the project's limited time frame.

D. RISK TO DEVELOPMENT OUTCOME

71. **The risk to development outcome is High.** The ECERA has not yet been operationalized and does not have staff or an approved financing mechanism (both St. Lucia and Grenada have proposals, but neither have been approved as of yet), nor have any other OECS countries moved to join it; however, at the same time, the NRAs have been set up to become functional. In light of this, there is considerable possibility that the ECERA will not fully materialize in the near future and remain an unfinished entity. While there is a desire for it to exist, and be a regional authority, strong regional leadership and a sustainable financing mechanism would be needed to 'save' the ECERA.

V. LESSONS AND RECOMMENDATIONS

72. **Account for complex regional political economy behind project design and implementation.** The motivation behind the design of regional approach of the project stemmed from two key regional developments: (a) excess generation capacity from geothermal investments, especially in Dominica, that would have resulted in regional power trade and (b) the plans for Trinidad and Tobago to export liquefied natural gas (LNG) to other countries in the region. However, Dominica did not join the ECERA from the outset and instead focused on the development of its own IRC and the LNG export from Trinidad and Tobago never materialized. Designing a regional approach without substantial regional buy-in was already risky at appraisal. Furthermore, the project scope and objectives should have been assessed for continued relevance in the changing regional context.

73. **Balancing regional versus national focus by incorporating lessons learned from previous regional projects.** The PAD indicates that the regional approach was designed based on the success of the model that was implemented for telecommunications sector using the regional regulatory authority, ECTEL. However, the ECTEL model also relies on a two-tier structure comprising ECTEL, the regional regulatory authority, and the National Telecommunication Regulatory Commissions that remained responsible for the implementation of national regulatory policy with technical advisory from ECTEL. This experience already highlighted the need for improving national regulatory capacity that should have been factored into the original ECERA Project design. The design should have also accounted for the drawbacks and failures of other previous regional approach projects to plan for potential risks to development objectives.

74. Further, the telecommunications model was successful mainly given the unique nature of the resource and market that was being regulated. The telecom service provider was the same company across the region—Cable and Wireless that held a monopoly. Through ECTEL, the countries aimed to open the market to new entrants. This was quite different compared to the energy sector where each country has a different structure and holding for the power utility, state-owned entities in some countries, and private sector companies in others. In case of the ECERA, the energy resource being regulated is a national

resource (for example, geothermal energy) that the country is endowed with, whereas in case of ECTEL in telecom sector, the spectrum is an allocation to countries of an international resource. Therefore, the sector and regional market context were quite unique to the telecommunications sector for the successful implementation of a regional approach and could not be directly applied to the energy sector in the region.

75. **Project restructuring should be timely and consider all design and outcome aspects that would be affected.** Given that the key driver for the regional project no longer existed during project implementation and that a regional power/energy market was no longer envisioned, the project should have been restructured much earlier. When the project was restructured, all key elements of project design should have been revisited in light of the restructuring of components. This includes the overall PDO, applicable project indicators, specific outputs and deliverables under each component, along with the Procurement Plan, including key personnel to be hired under the project. For example, once the project was restructured to have the ECERA as an agency, corresponding updates to the PDO reflecting the new role of the ECERA, outputs from each component (especially Part B in this case) focusing on the NRAs would have been beneficial in reconciling the PDO and planned outputs. Further, under the original project design, an Executive Director was to be hired to lead the ECERA. Once the project was restructured, the project benefitted more from a technical coordinator to guide the work being led by the NRAs.

76. At the time of restructuring, sufficient transition time from Part A to Part B should have been accounted for in estimating the revised project end date. Under the original project design, three years were allocated for Part B whereas under the restructured project design, two years of extension was granted with six months being used for transition to Part A and only one and a half years was allocated for Part B.

77. **Regional project design should account for varying capacity of participating countries and impact of staff turnover.** The regional approach for the project was very well intended and logical at the time of project design. However, the design should have also accounted for varying capacities in countries to implement (develop regulatory frameworks, conduct technical reviews, and so on) that further affected the overall progress, time line, and decision making during project implementation. Further, Grenada felt that most of the financing was used for consulting contracts for regulatory studies as opposed to strengthening the capacity through targeted training and operationalization NRAs. This could have been addressed through reallocation of resources to a dedicated component on capacity building, for example, training requirements for the NRAs to develop tariff-setting frameworks. Alternatively, the consulting services for various studies could have been better achieved through a technical assistance activity as opposed to a lending operation.

78. **Ensuring continuity of key staff and building team capacity for smooth implementation.** High staff turnover across agencies and limited institutional capacity did not allow for smooth progress in both countries. Even at the World Bank, this project witnessed a large turnover of task team leaders that proved problematic during restructuring and Implementation Completion and Results Report (ICR) stage as well. This was particularly a challenge given the long project duration—from inception to closure, the project elapsed 12 years (5 years for preparation and 7 years for implementation). The project would have benefitted from clear documentation of ongoing activities and changes in project to ensure smooth implementation especially during Part B with country-led implementation.

79. **Need for a regional champion for continued progress and successful implementation.** With the change in the implementing agency going from Part A (OECS-led) to Part B (country-led), the project would have benefitted from a regional champion to continue the focus on regional approach. This would have helped to ensure smooth implementation of the NRAs' activities with the objective of regional benefits and efforts to expand regional participation in the ECERA.

ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

1. RESULTS INDICATORS

A.1 PDO Indicators

Objective/Outcome: Establish and operationalize regional approach to development of the electricity sector in SLU & GND

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
ECERA provides advisory support as a regional regulatory advisory body to the national regulatory authorities in the Participating Countries	Text	No energy regulatory authorities operating in the participating bodies, and no regional advisory body. 24-Jun-2016	Regional approach established and operationalized 30-Dec-2016	Regional approach established and operationalized 30-Nov-2018	Hiring of ECERA project coordinator in progress. 17-Aug-2018
Comments (achievements against targets):					

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Design and adoption of cost reflective and performance based tariffs in the	Text	Tariff setting process depends on countries and provisions in	Tariff process adopted	Tariff process adopted	No follow up since new electricity legislation was

Participating Countries		existing licenses and policies adopted from time to time 30-Jun-2011	 30-Dec-2016	 30-Nov-2018	adopted in Grenada and St. Lucia. No progress in independent tariff setting process. 17-Aug-2018

Comments (achievements against targets):

A.2 Intermediate Results Indicators

Component: Component 1 - Setting up the core functions of the ECERA

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Approved draft agreement, by the Ministers with responsibility for energy, for the establishment of ECERA	Text	No agreement or institution in place for regulation of the electricity sector 30-Jun-2011	Approved draft agreement 17-Aug-2018	Approved draft agreement 30-Nov-2018	ECERA Establishment Agreement and Articles of Incorporation approved and signed. 17-Aug-2018

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion

Agreement signed by Participating Countries establishing the ECERA through Articles of Association/Incorporation	Text	No ECERA agreement 30-Jun-2011	Agreement signed by Participating Countries 17-Aug-2018	Agreement signed by Participating Countries 30-Nov-2018	ECERA Agreements approved and signed. April 25, 2017. 17-Aug-2018

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Board of Directors appointed	Text	No Board of Directors. 30-Jun-2011	Board of Directors appointed 17-Aug-2018	Board of Directors appointed 30-Nov-2018	ECERA Board of Directors appointed. 17-Aug-2018

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Full complement of staff for the ECERA hired	Text	No staff for the ECERA	Full complement of staff for the ECERA hired	Full complement of staff for the ECERA hired	Hiring of ECERA Project Coordinator, Executive Assistant, and Legal Expert are in progress (negotiations completed and awaiting signing of contract). No follow up on hiring of any

					other staff.
		30-Jun-2011	17-Aug-2018	30-Nov-2018	17-Aug-2018

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Amendments to domestic legislation to operationalize the ECERA at a national level prepared, for review by the respective Attorneys General	Text	No legislative basis to operationalize ECERA at the national level	Amendments made	Amendments made	Legislation approved and published in gazette by legislature in both participating countries.
		30-Jun-2011	17-Aug-2018	30-Nov-2018	17-Aug-2018

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Self Financing Mechanism for the ECERA approved and operational	Text	None	Self Financing Mechanism for the ECERA approved and operational	Self Financing Mechanism for the ECERA approved and operational	Self financing report prepared and shared with Participating Countries.
		30-Jun-2011	30-Dec-2016	30-Nov-2018	20-Jul-2018

Comments (achievements against targets):

Component: Component 2 - Developing a Regional Licensing Framework for Electricity Sector Market Participants

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
ECERA provides guidance and recommendations on tariff design to the national regulatory authorities	Text	None 30-Jun-2011	Guidance and recommendations given 30-Dec-2016	Guidance and recommendations given 30-Nov-2018	Hiring of ECERA project coordinator in progress. 17-Aug-2018

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Licensing rules enabling new investments in electricity generation designed	Text	Independent Power Producers (IPPs) and Distributed Generation (DG) not permitted. 30-Jun-2011	Licensing rules designed 30-Dec-2016	Licensing rules designed 30-Nov-2018	No follow up since licensing rules drafted and reviewed by both participating countries. 17-Aug-2018

Comments (achievements against targets):

A. KEY OUTPUTS BY COMPONENT

Establishing ECERA	
Outcome Indicators	1. Entry into force of the ECERA, materialized by ratification in Participating countries of the ECERA Treaty (corresponding to Part A)
Intermediate Results Indicators	1. Approved draft agreement, by the Ministers with responsibility for energy, for the establishment of ECERA; 2. Agreement signed by Participating Countries establishing the ECERA through Articles of Association/Incorporation; 3. Board of Directors appointed; 4. Full complement of staff for the ECERA hired; 5. Amendments to domestic legislation to operationalize the ECERA at a national level prepared, for review by the respective Attorneys General
Key Outputs by Component (linked to the achievement of the Objective/Outcome 1)	1. The ECERA is set up
Operationalizing ECERA	
Outcome Indicators	1. ECERA provides advisory support as a regional regulatory advisory body to the national regulatory authorities in the Participating Countries; 2. Design and adoption of cost-reflective and performance-based tariffs in Participating Countries (corresponding to Part B);
Intermediate Results Indicators	1. ECERA provides guidance and recommendations on tariff design to the national regulatory authorities;

	2. Licensing rules enabling new investments in electricity generation designed; 3. Licensing rules enabling new investments in electricity generation designed; 4. Authority's decision on tariff designed and adopted
Key Outputs by Component (linked to the achievement of the Objective/Outcome 2)	1. The ECERA is operational

ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

A. TASK TEAM MEMBERS

Name	Role
Preparation	
Pierre Audinet	Task Team Leader(s)
Fowzia Hassan	Operations Analyst
Rolande Simone Pryce	Senior Country Officer
Aiga Stokenberga	Junior Professional Associate
Peter Fraser	Regulation Specialist
Svetlana V. Klimenko	Senior Financial Management Specialist
Emmnuel Njomo	Senior Financial Management Specialist
Yingwei Wu	Senior Procurement Specialist
Judith C. Morroy	Procurement Specialist
Edith Mwenda	Senior Counsel
Miguel-Santiago Oliveira	Senior Finance Officer
Alonso Zarzar	Senior Social Scientist
Enos Esikuri	Senior Environmental Specialist
Shern Frederick	Junior Professional Associate
Fernanda Pacheco	Program Assistant
Supervision/ICR	
James Victor Pannett	Task Team Leader(s)
Monica Lehnhoff	Procurement Specialist(s)
Arun Manuja	Financial Management Specialist
Gibwa A. Kajubi	Social Specialist
Luisa F. Pacheco de Vincenzo	Team Member
Koffi Ekouevi	Team Member
Isabella Micali Drossos	Counsel
Michael J. Darr	Environmental Specialist

Rahul Srinivasan	Team Member

A. STAFF TIME AND COST

Stage of Project Cycle	Staff Time and Cost	
	No. of staff weeks	US$ (including travel and consultant costs)
Preparation		
FY07	7.450	71,972.06
FY08	3.150	15,072.66
FY09	23.981	166,595.28
FY10	27.287	118,113.36
FY11	12.089	59,453.09
Total	**73.96**	**431,206.45**
Supervision/ICR		
FY12	17.888	107,203.88
FY13	22.494	111,399.34
FY14	41.967	302,443.52
FY15	55.723	552,088.01
FY16	55.519	666,139.43
FY17	15.275	107,158.74
FY18	9.300	99,331.49
FY19	21.673	118,841.48
Total	**239.84**	**2,064,605.89**

ANNEX 3. PROJECT COST BY COMPONENT

Components	Amount at Approval (US$, millions)	Actual at Project Closing (US$, millions)	Percentage of Approval
Setting up the ECERA	2.61	2.32	89
Operationalizing ECERA	2.99	0.35	12
Total	**5.60**	**2.64**	**47**

ANNEX 4. EFFICIENCY ANALYSIS

1. According to the PAD, at project preparation, the economic analysis had estimated the cost of ECERA as its annual operating cost of about EC$0.60 per kWh delivered, assuming that two OECS states join the ECERA Project. This would be less than 1 percent of customer bills. No changes were made to the economic and financial analysis at restructuring. This was the extent of the overall economic analysis formulating the economic rationale for the project. This does not represent a typical economic analysis for World Bank lending projects and is therefore hard to use for a full efficiency analysis.

2. Further, the project duration was really long. From inception to closure, the project elapsed 12 years (5 years for preparation and 7 years for implementation). Based on a review of the project cycle, a total of US$2.5 million were spent from World Bank budget funds (US$0.5 million in preparation and US$2.0 million in supervision) for a project that only disbursed 50 percent of the total (US$2.8 million) and achieved a development outcome that is seriously at risk.

ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS

Below is the completion report from St. Lucia. At the time of the completion of the ICR report, Grenada had not yet submitted a full completion report. However, a completion report prepared by Grenada's procurement unit has been attached.

The End of Contract Exit Report, Submitted by the Project Manager, Eastern Caribbean Energy Regulatory Authority Project (End of Part A of the Project), is available on file.

EASTERN CARIBBEAN REGULATORY AUTHORITY PROJECT

IMPLEMENTATION AND COMPLETION REPORT

submitted to the
GOVERNMENTs
of
SAINT LUCIA
and
GRENADA

27th November 2018

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ABBREVIATIONS

ECERA	Eastern Caribbean Energy Regulatory Authority/Agency
ECTEL	Eastern Caribbean Telecommunications Authority Ltd.
ECCAA	Eastern Caribbean Civil Aviation Authority
ECCB	Eastern Caribbean Central Bank
GOG	Government of Grenada
GOSL	Government of Saint Lucia
GRENLEC	Grenada Electricity Services Company
IDA	International Development Association - World Bank
LUCELEC	Saint Lucia Electricity Services Company
NDC	Nationally Determined Contributions
NEP	National Energy Policy
NURC	National Utilities Regulatory Commission
PCU	Project Coordinating Unit
PURC	Public Utilities Regulatory Commission
OECS	Organization of Eastern Caribbean States
LRA	Local Regulatory Authority
PC	Participating Countries
UNFCCC	United Nations Framework Convention on Climate Change

1.0 INTRODUCTION

The following Report is intended to capture the main components of the Eastern Caribbean Energy Regulatory Authority (ECERA) Project over its six (6) year duration 2012-2018. The document reports on the initial conceptualization of the project including its rationale; the role of the Organization of Eastern Caribbean States (OECS) Commission; the participation and exclusion issues among member states; the early progress and challenges; the re-structuring of the project; benefits; and finally, requirements for sustainability to foster continued energy reform in the OECS sub region.

At the 49th Meeting of the OECS Commission held in May 2009 Saint Lucia and Grenada expressed interest in setting up the ECERA. At the 50th Meeting held in November 2009 the Heads reiterated interest in establishing ECERA. In March 2011, the OECS Commission was identified as the Implementing Agency for the ECERA Project.

The International Development Association (IDA) / World Bank approved credit for Saint Lucia and Grenada in June 2011 totaling US $5.6 million for the design and operationalization of ECERA. The separate *Financing Agreements* between the Governments of Saint Lucia and Grenada and the IDA / World Bank were signed on September 23, 2011. In addition, separate corresponding *Project Agreements* between the IDA and the OECS were signed on September 23, 2011.

A Project Management Unit was established within the OECS Commission in November 2012, tasked with implementing Part A of the ECERA Project.

The ECERA Project was designed as a five (5) year project to be implemented in two Parts or Phases. Part A of the Project was intended to involve the 'Design and Establishment' of ECERA as an Authority to regulate electricity generation, transmissions and distribution in member states of the OECS. At signing in November 2011, only Grenada and Saint Lucia subscribed but the project proceeded, with the expectation that other member states would eventually join. It was projected that Part A would have been completed in 2 years ending December 2014. Part A was subsequently extended to September 2015 and further to December 2016. In accordance with the Project Design, the Project would have transitioned to Part B on completion of Part A. Part B of the Project was expected to involve the 'Operationalization Phase' where ECERA, once established as a legal entity in Part A by way of Treaty and statute, would have functioned as a multinational regulatory entity within the OECS for the electricity sector with its own institutional and administrative framework. The expectation was that ECERA would have jurisdiction in the OECS countries that would have ratified or acceded to the Treaty. However, a combination of factors which included the inability to attract any more countries into the Authority, delays in signing the treaty, compounded by concerns about the affordability and financial feasibility of ECERA with just two countries; and resulting in a project re-structuring, impeded this transition.

The revised treaty was eventually signed by Grenada[1] and Saint Lucia[2] for the establishment of an "Agency" rather than an "Authority". The project ended its relationship with the OECS Commission in December 2016 and moved to national level oversight in both countries with fiduciary management by the respective Project Management Units (PCUs). The project progress was significantly stalled during this period, until a Technical Coordinator was subsequently contracted late in 2018 to facilitate key sustainability deliverables for the two countries. The project was finally close in December 2018.

[1] Letter from Min. of Finance and Energy, Grenada. (DATE)
[2] Letter from Min. of Infrastructure, Ports and Energy, Saint Lucia. Nov. 7th, 2016

2.0 BACKGROUND

The proposal for ECERA was initially recommended by the OECS Commission. It was at the 44th OECS Authority Meeting in January 2007, when Heads of States agreed that electricity supply challenges should be addressed regionally through a two-track approach, focusing on (1) improving the regulatory framework for electricity sector governance; and (2) diversifying sources of generation, including from renewable; and more importantly, indigenous sources. It was concluded that regulation was necessary so that utilities could be held accountable to ensure that they operate efficiently, while providing quality services at least cost. In addition, as OECS countries sought to increase private investment in generation in the electricity sector, including through the licensing of generation by other players, it was clear that greater oversight would be needed to ensure that safety and a high-degree of service reliability was maintained. None of the OECS countries had independent energy regulators except for Dominica; who had indicated from the onset its reluctance to transfer the regulatory functions from a national regulator to a regional entity. However, there was always full agreement that a regulator would also help to support policy directives, such as those calling for increased production of electricity from renewable sources, and by encouraging the utilities and other actors to adopt measures to achieve these targets.

The rationale for an energy regulator was predicated on the rapidly emerging renewable energy market, globally, and that required urgent regulatory transformations in small islands states if they were to remain competitive and to attract the necessary investment in these emerging technologies. The high cost of energy to consumers, the high foreign exchange debt associated with purchasing fossil fuels for electricity, the potential to capitalise on indigenous sources of energy and to realise more competitive consumer prices, were premised on a harmonised energy regulatory framework and operational structure, as conceptualised by the ECERA initiative.

However, this proposed regional regulatory body was fraught with problems ranging from general lack of interest to create an independent regulatory authority on the part of some countries, lack of conviction about the utility of regional regulation, to the inability of other countries to qualify for the loan financing to fund their participation in the project and a general lack of fiscal prioritisation.

Consequently, Grenada and Saint Lucia agreed to pursue the project alone, but soon realised that the economies of scale could not be realised with just two participating countries to finance such a huge regulatory institution. Both countries, however, reaffirmed the importance of a regional harmonized regulatory approach and the ECERA concept for facilitating renewable energy scale-up in the form of technically and economically feasible projects, increasing private sector investment, improving utility performance and enhancing energy efficiency. To this end, it was agreed that the respective countries will pursue their own independent regulatory bodies but seek to harmonize their legislative and operational processes as much as possible so as to facilitate an effortless transition to a harmonized institution, if and when that became opportune and feasible.

3.0 OUTCOMES

The outcomes of the ECERA project may be categorized into three broad areas. (1) Early sector framework developments; (2) Restructuring of the ECERA Project; and (3) Legislative and Operational Developments.

The project was conceived in two parts: Part A, setting up the ECERA; and Part B, operationalization with commencement of regulatory functions. Part A of the Project was intended to include activities designed to create the institutional, regulatory, and policy basis for the establishment of ECERA by at least two participating countries. The Project was approved by the World Bank Governing (WBG) Board on June 11, 2011, became effective June 21, 2012. Initially, the OECS Secretariat experienced delays meeting the effectiveness conditions, (i) executing the Subsidiary Agreement with St. Lucia and Grenada and (ii) establishing the Regional Energy Committee (REC)[3] after reconfirming the nominees from the Participating Countries, i.e. Saint Lucia and Grenada. Once the effectiveness conditions were met, the Project Management Unit within the OECS Commission and the REC were established soon thereafter, the inaugural meeting of the REC was held in November 2012, and the Project was launched publicly on November 7, 2013.

3.1 Early Sector Framework Developments

3.1.1 Self-Financing Mechanism and Power-Pricing Strategy

The Consultancy to *Design the Self-Financing Mechanism and Power Pricing Strategy* was the first major deliverable of the project. It was expected to establish the financial and technical feasibility of the entire ECERA project in the first place. The study examined the existing legislative, regulatory and financing aspects of electricity management in both islands of Saint Lucia and Grenada; and made recommendations for an independent regulator; price cap over rate-of-return in calculating tariffs; retaining customer categories with some adjustments within categories; opted for net-billing over net-metering for self-generating

[3] In the preparatory phase of the project, the Regional Energy Commission (REC) provided guidance to the OECS on project implementation. The REC included qualified representatives from both Grenada and Saint Lucia. In addition, other countries from the OECS and overseas territories, as well as ECTEL and CARILEC participated in REC meetings as observers. Summary Reports from each REC is available in Project files.

grid-tied customers; and to introduce power-pricing mechanisms that would protect vulnerable groups from cost-reflective tariffs. Most importantly, the Consultancy concluded that ECERA could be self-financed through a levy on customers' bills which would average under EC$3.01 per month for the average GRENLEC's and LUCELEC's customer. It was opined that this increase would not represent a large percentage of the individual customer's bill and further, that the efficiencies expected with the introduction of ECERA would represent greater potential gains than the increase on customer bills[4].

3.1.2 Public Relations Strategy

The Consultancy to launch and develop promotional materials and products for ECERA was to develop and launch promotional material on ECERA, including the preparation of a Public Awareness and Education Communications Plan and designing of a series of public awareness and educational products on the ECERA Project and ECERA as an institution. These promotional constructs were to include:

- visual identity for ECERA (logo),
- slogan,
- jingle,
- dedicated webpage,
- public service announcements (PSAs), video and audio features,
- media kit (promotional folders, brochures, flyers, fact sheets, press releases etc.), newsletters, and
- other promotional material on the ECERA project and the functions of ECERA[5]

The public awareness and educational campaign was expected to target the general populace in all OECS countries. This consultancy was clearly ill-advised and premature. The objectives of the consultancy were predicated on an already functioning regulatory entity, which was not the case at all. In fact, the assumption that the decision of the 44th OECS Authority Meeting in January 2007, when Heads of States agreed that electricity supply challenges

[4] Castalia LLC, Executive Summary.
[5] ACELLA Marketing, Inception Report- Consultancy on Public Awareness Strategy, p.2

should be addressed regionally, and that this automatically endorsed an ECERA, was obviously a misinterpretation. Further, the decision by the REC to pursue a public awareness strategy at the start of the project, when ECERA had not been ratified by any member state, (even though Grenada and Saint Lucia had endorsed the initiative by accepting the IDA loan to initiate the project) was nothing short of presumptuous and misguided. Although many of the PR deliverables had been created, this consultancy was truncated, as it was not appropriate to promote an entity which, for all intents and purposes, did not exist.

3.1.3 Consultancy to establish the Legal Basis for ECERA

The critical ECERA legal treaty and policy/regulatory (ESA) reform consultancy was awarded to Kema DNV and began in earnest in early 2014 but was aborted later in that year due to unsatisfactory performance by the consultant. This activity was put on hold as Participating Countries (PCs) considered their options for the structuring of ECERA. It was not until mid-2015, that a firm decision was taken on re-structuring. This re-structuring has been addressed below in 3.2.

3.2 Restructuring of ECERA Project

The ECERA Participating Countries (Grenada and Saint Lucia) concluded by early 2015 that the original design for ECERA as a Regional Regulatory Authority, largely conceived based on the ECTEL model, did not take account of the peculiarities of the energy industry and the unique characteristics of the electric utilities within the OECS, including different market and ownership structures.

The fact that the ECERA Project in its original design was endorsed in principle at the level of the OECS Heads of Authority but received the commitment of only two countries, signaled from the on-set, that realistically, there was limited readiness within the OECS and possible apprehension by individual countries about the inherent supranational powers of the regional regulator and how this might undermine sovereignty. Accordingly, with only two countries committing to ECERA, the manifestation of a Regional Regulator accomplishing economies of scale in regulation of the power sector within the OECS became questionable.

In this regard, the ECERA Participating Countries, in collaboration with the World Bank embarked on a restructuring of the ECERA Project from around early 2015. Some of the key decisions agreed to during that initial restructuring phase were as follows:

i. The original project design notwithstanding, responsibilities would be bifurcated between regulatory responsibilities that were national in character, such as dealing with consumer and regulatory compliance matters, versus those that would be carried out by ECERA, including functions related to tariff setting, reviewing utility investment plans, and connecting new generation.

ii. The original project design contemplated having two ECERA representatives in each country to attend to local regulatory affairs. In the current proposal, each country will create a Local Regulatory Authority (LRA) to manage consumer and regulatory compliance issues, rather than having ECERA staff on the ground to deal with these issues.

iii. The legal basis for the ECERA must be flexible enough to allow other countries to join in the future, as greater participation by other countries would be essential for achieving greater financial sustainability of the ECERA and increasing its regional impact.

3.2.1 National Independent Regulatory Bodies

Finally, Saint Lucia and Grenada advanced the establishment of national regulatory authorities: National Utilities Regulatory Commission (NURC) and Public Utilities Regulatory Commission (PURC), respectively with direct regulatory oversight of the industry. Legislative drafters were contracted and public consultations on the revised legislation were conducted in both countries. Legislation and regulations were expected by September 30th, 2015. In fact, this did not materialize until later 2015 and early 2016 in Grenada and Saint Lucia, respectively. However, by the end of the project only legislation for the creation of the independent regulatory bodies had been passed, and regulations were still pending in both countries. Saint Lucia amended its Electricity Services Supply Act to accommodate the new regulatory body, called the National Utilities Regulatory Commission (NURC), whilst Grenada, in addition to establishing its independent regulatory body called the Public Utilities Regulatory Commission (PURC), also replaced its ESA completely with new legislation.

3.2.2 Regulatory Operations and Governance

Activities to *reform domestic sector legislation and regulations* were initiated following the agreement that a regional regulatory agency was a more long-term ambition than was originally projected. Consequently, the *Regulatory Operations and Governance Consultancy* was revisited to reflect an approach that developed energy legislative frameworks for the two individual countries.

It was expected that the regulatory and governance frameworks would eventually be amended to reflect responsibilities at a national level; as well as responsibilities at a regional level for the ECERA as an Agency (See 3.2.2 below).

The objectives of this Consultancy were intended to:

i. design separate operations and governance framework for the ECERA, NURC and the PURC that will allow the newly established regulatory bodies to function effectively, when established, in accordance with their core regulatory functions and mandate as provided for in statute, and

ii. conduct separate training of staff within the ECERA, NURC and PURC on the application of the relevant procedural documents and regulatory best practices relevant to their respective scope and mandate.

3.2.3 Treaty with a Regional Agency

The revised ECERA, often referred to during the conceptualizing phase as ECERA Lite; was to be established by way of Treaty as a regional agency/association (instead of an Authority) to provide financial and technical assistance to national regulators. It was envisaged that the Treaty would have been ratified by Grenada and Saint Lucia and acceded to over time by other OECS countries. The ECERA Establishment Agreement was developed by the OECS Commission ECERA PMU in March 2016. This Agreement benefitted from valuable feedback from multiple stakeholders which resulted in several iterations to the Agreement. This Agreement was eventually executed by the two Contracting States, Grenada and Saint Lucia, as it formed the basis for the establishment of ECERA.

a. foster a regional approach to the development of the energy sectors and harmonized regulatory practices;

b. provide appropriate technical advice to the Founding and Full Members to enhance the efficient discharge of their statutory mandate;

c. encourage universal electricity service at an affordable rate, to enable economic and social development;

d. support policy position to increase generation of electricity from renewable energy resources;

e. contribute to increased private investment in the energy sectors;

f. encourage improved safety standards for, and performance by, electricity providers and other actors in the energy sectors;

g. foster fair and reasonable electricity rates that reflect performance-based pricing;

h. contribute to enhanced energy conservation and efficiency;

i. promote technically- and economically-sound energy sector projects; and

j. foster cooperation, information exchange and assistance among Member States in national, regional and international consultations aimed at the development of the energy sector and interstate electricity exchanges.

These objectives are reflected in the ECERA (Agency)'s Agreement.[6]

3.2.4 Operational Structure

It was clear that the operational structure envisioned at the start of the project was not possible. The Regulatory Operations and Governance consultancy was abandoned due to non-performance of the consultancy, but also due to the need to restructure based on the revised vision for regional energy regulation.

ECERA would be operationalized as a lean entity (with only 1 or 2 staff) to provide advisory technical support to national regulatory authorities in the discharge of their statutory mandate and to facilitate harmonized approaches and pooling of resources where suitable. A strategic outreach to promote this new vision for ECERA was conducted in August 2015 in

[6] Eastern Caribbean Energy Regulator's Agency Agreement.DRAFT.19.04.16

Dominica. Nine of the Ten OECS Member States were present (only Anguilla was absent).

3.3 Legislative and Operational Developments[7]

This component represents the final stage of the project and the main interventions included revised legislative frameworks; model licences and standard operating procedures; and capacity development initiatives for the respective national regulatory commissions to carry-out their basic functions. The TORs for these interventions were developed and finalised through a consultative process; and adequately qualified Consultants were identified for immediate recruitment. Because the project was truncated due to perceived inadequate time, the legislative reforms did not materialise. However, the technical resources to facilitate the achievement of these targets are all in place; and may be achieved with additional time and reallocation of financing. The key outcomes are as follows:

3.3.1 The Legislative Agenda:

The terms of reference developed for the respective country legislative reforms were different. Whilst Saint Lucia had draft Electricity Service Supply (ESS) Bills and secondary regulations; Grenada had passed an Electricity Supply Act (ESA) in Parliament and was working on a few pieces of secondary legislation. Both pieces of legislation had been reviewed by an independent electricity legislative drafter and several recommendations for adjustments and amendments were made. The consultants contracted under this assignment would be required to review the recommendations; update the legislative frameworks in consultation with key stakeholders including the incumbent utility, national regulatory commission; policymakers and representatives of the business community and general consumers.

The Individual Consultant to be contracted for the Government of Grenada, would be expected to review the Electricity Services Act (ESA) No. 19 of 2016 and subsequent amendments, PURC Act No 20 of 2016 and draft regulations, review commentary and advice already provided (by the stakeholders and other consultancies) and to finalize the draft of several pieces of electricity sector legislation, regulations and other statutory documents.

[7] Adapted from ECERA Technical Coordination End of Assignment Report, pp.6-10

The Individual Consultant to be contracted for the Government of Saint Lucia, would be expected to review the current Electricity Supply Act (ESA) Act and subsequent amendments (No. 2 of 2016), The draft Electricity Supply Services (ESS) Bill and its draft regulations; NURC Act (No. 1 of 2016) and draft regulations, review commentary and advice already provided (by the stakeholders and other consultancies) and to finalize the draft of several pieces of electricity sector legislation, regulations and other statutory documents.

3.3.2 Technical and Standard Operating Procedures:

The specific objective under this intervention was to assess existing grid code templates and detailed standards for procedures and equipment necessary for RE-IPP to interconnect to national grids in Grenada and Saint Lucia. The deliverables, though national, were expected to be relevant at a regional level so as to facilitate future harmonization. The deliverables were intended to offer practical, standardized options that are relevant for the respective countries to provide a better basis for commercially viable investment in efficient renewable energy generation.

To this end, this consultancy projected the following deliverables:

a) An Assessment of existing Grid requirements in the respective national context. It should be noted that both countries had completed Grid Codes, and for this purpose the primary intervention would be to identify the commonly applied design features and consequences for the network, suppliers and consumers.

b) Development of the Consultation Document and Drafting Instructions for Grid Code Regulations in both countries. The intension was to fashion the consultation document to be used in the consultation process that would inform the finalization of the Grid Code Regulations.

c) The development of proposed Tariff Methodologies to encourage Renewable Energy Development. The intension was to provide a range of options available to policy makers to incentivise commercial investment in efficient RE generation.

d) The develop of a Consultation Document and Drafting Instructions for Tariff Regulations for Renewable Energy in both countries. The primary purpose of this deliverable was to develop drafting instructions for tariff regulations also aimed at incentivizing RE penetration but also to inform the consultation process.

3.3.3 Model Licensing Agreements and Tariff calculations for RET:

Under this intervention, it was proposed that model Licenses be developed for each Renewable Energy Technology (RET) that is used for all negotiations and granting of Licenses once approved. These model Licenses should include the relevant parameters for each RET viz-a-vis an energy strategy, to determine the most optimum arrangement for both the Utility and the IPP.

Having indicated this, the Utility companies, in reviewing the TORS, noted that it should also be understood that every transaction is different and that a “too-prescriptive” model PPA can be equally dangerous to not having a model instrument. For this reason, it was recommended that the project contractual agreements developed, should be independently reviewed to determine the technical provisions of the engineering, procurement, and construction (EPC) agreement, resource supply agreement (RSA), operations and support agreement (OSA), power purchase agreement (PPA), and interconnection agreement (IA). The intent of the review is to identify work scope, party responsibilities, contractual requirements, warranties, guarantees, and liquidated damages and assess their consistency with each applicable project contract, performance expectations, and typical industry practice. Against this background and the uniqueness of every RET application, especially within a small market context, the original TOR was revised to “prepare a Power Purchase Tariff Schedule” which could be flexible enough to allow for the nuances thereof.

The TOR also proposed to calculate the “Avoided Cost” for both island utilities based on data provided. However, there were further re-adjustments to this deliverable which included also calculating the “Levelized Cost” as the preferred calculation in determining O&M plus generation costs to the utility.

Finally, the TOR also required the drafting of a Standard Interconnection Agreement to be used by the utilities and approved by the Regulator.

3.3.4 Capacity Building and Training Programme:

Most Governments and even burgeoning and inexperienced regulatory commissions, as exist in both Saint Lucia and Grenada, lack the capacity to adequately evaluate these regulatory agreements. Whilst models to assist with this process are useful and required; seek the advice of a transaction advisors to provide technical and advisory support is also necessary, within the context of these developing economies. The capacity building activities were related to participation in regional energy conferences and the training was a specific training package developed by the Public Utilities Regulatory (PURC) at the Warrington College of Business Administration, University of Florida, is perhaps the best-known regulatory training institution on this side of the hemisphere. The PURC provide a two-day training program for Regulatory Commissioners, Staff, and other technical and policy makers for both Saint Lucia and Grenada[8]. The training covered a range of introductory regulatory subjects like Utility Finance; Rate-making and Incentives; Strategies to manage Non-Revenue Electricity, integrating RE technologies and other subjects elated to establishing the regulatory process and environment.[9]

[8] Grenada's participation was withdrawn at the last minute due to local public service industrial action at the time.
[9] For more details see ECERA Technical Coordinator's 2nd Progress Report p.6 with Annex 3

4.0 CHALLENGES

Whilst OECS Members collectively endorsed the proposal for a regional regulatory entity at the 49th Meeting of the OECS Authority in Tortola, May 20-22, 2009; only Grenada and Saint Lucia joined the project at project launch in 2012. By 2014, the Regional Energy Committee (REC) concurred that the ECERA Project as envisaged at Project inception required some modification. The issues that arose to predicate this position; and the subsequent conclusions, were as follows:

- ***The rate of implementation progress on ECERA had always been slow.***

- ***The Project had been unable to attract firm commitments from other OECS countries – namely Antigua and Barbuda and St. Kitts and Nevis. Despite overtures to join; and even manifesto commitments by the wining party of the 2015 elections in Antigua; both countries have since refrained from taking further steps. Saint Vincent and the Grenadines categorically declined interest in joining ECERA via letter from the Prime Minister dated January 23rd, 2014. The correspondence warned that "ECERA…will become an expensive Agency which in the circumstances of Saint Vincent and the Grenadines was not a priority".***

- ***Throughout the duration of the ECERA project form conception in 2007 until the present, the electricity market conditions of the countries have changed, and both PCs have since modified their respective policy and regulatory environments. In an effort to respond to the evolving conditions, both Saint Lucia and Grenada established independent national electricity regulatory authorities; the National Utility Regulatory Commission (NURC) in the case of Saint Lucia and the Public Utilities Regulatory Commission (PURC) in the case of Grenada.***

- ***Given those factors, and the fiscal realities of the PCs, the original concept for the centralized/full service regional regulatory authority – ECERA – as outlined in the Self-Financing Mechanism Study (Castalia) was and continues to be financially unrealistic.***

- ***Finally, consideration must be given to legislation in support of energy efficiency as part of the overall legislative reform process. Electricity continues to absorb near 30% of the operations and management cost of the dominant hotel sector[10]; and 40% of average household income among island families.[11] Draft EE bill has been prepared for Saint Lucia. Thorough public consultation should be supported to ensure that this becomes a fundamental component of the legislative reform objectives in all islands.***

As indicated above, by the mid-term period of 2014, it was clear that attracting other countries to this regulatory body was nothing short of a "pipe-dream". The assumption that the ECERA initiative was compatible with other efforts carried out by the OECS towards increased regional integration proved inaccurate. Whilst some of these initiatives which included the creation of the Eastern Caribbean Telecommunications Authority (ECTEL), the Eastern Caribbean Civil Aviation Authority (ECCAA) and the Eastern Caribbean Central Bank (ECCB); and with the important milestone being the signing of the Revised Treaty of Basseterre establishing the OECS Economic Union in January 2011, were indicative of a general willingness to regionalize regulatory bodies; the regional electricity regulatory body appeared to constitute a very different integration composite.

This led to the conclusive 2015 decision by the participating countries, to modify the specific role of ECERA, even though agreeing that independent regulation of the electricity sector remained an urgent need and one that should proceed with similar/harmonized approaches. Both Grenada and Saint Lucia concluded that "independent regulation" remained a priority for the following reasons:

[10] Travel Foundation,
[11] Castalia,

- ***The privately held utilities in each country needed to be held accountable to ensure that they operate efficiently, while providing quality services at least cost;***
- ***Both PCs were continuing to seek to increase private investment in generation in the electricity sector, including through the licensing of generation by other players, greater oversight required to ensure that safety and a high-degree of service reliability was maintained; and***
- ***That the ECERA could support policy directives, such as those calling for increased production of electricity from renewable sources, by encouraging the utilities and other actors to adopt measures to achieve these targets.***

Perhaps, the challenge that most significantly altered the course of the project was when the consultancy to establish the legal basis for the ECERA had to be terminated in August 2014 due to contractor non-performance. This significantly influenced the decision by Grenada and Saint Lucia to opt for a change in the project structure as the absence of this information left too much doubt about the legality of the regional entity. While the consultant had been selected through a competitive international process, once awarded the contract, the firm soon became unable to deliver due to its inability to find a suitable lawyer after the lawyer, originally proposed in the technical proposal, was no longer available. This contributed towards a one-year delay in the implementation of domestic legal reforms, and signature and ratification of an international treaty, both necessary to create the ECERA. Moreover, this delay necessitated the postponement of the "regulatory operations and governance" consultancy, which ultimately never materialized.

But this created the opportunity and justification to pursue independent national regulators for Grenada and Saint Lucia and to finance this under the ECERA project, albeit, originally intended to create a regional regulatory entity.

The next bottleneck occurred at the close of PART A of the project. The original expectation was that once ECERA was established as a legal entity by way of Treaty and statute, it would have functioned as a multinational regulatory entity within the OECS for the electricity sector with its own institutional and administrative framework. However, as noted prior, this did not occur, and the project moved to PART B, with the respective national public sector agencies taking up fiduciary management of the project; and respective Ministries with responsibility for Energy, assuming the technical components. The primary activity was to ratify the treaty by signing the Agreement which would have created the new revised regulatory Agency. But a combination of factors including change in key Energy public service personnel in both islands, the absence of a dedicated Project Manager, all coalesced to stagnate the project for almost 18 months. Struggling to re-energize the project, the recruitment of a Technical Coordinator, some three months before project close, to facilitate major legislative framework continuations; technical operational frameworks development; and some capacity building programmes; proved to be too late.

5.0 BENEFITS

The benefits of this project within the context of the emerging and transitioning nature of the energy sector in the OECS region is both strategic and transformative. This might be best understood within the context of the energy transition initiatives and the inherent challenges on the island of Saint Lucia, one of the two primary beneficiaries of the project under study.

5.1 National Energy Policy (NEP)

In 2010 Saint Lucia finalized its energy policy, which governs the sector. A key feature of the policy is the provision for independent power production (IPP) for renewable energy[12]. In 2012, Saint Lucia committed to increase the contribution of renewable energy to the national energy supply by 20% by 2020; support the development of indigenous energy sources and reduce the consumption of electricity in the public sector by 20% by 2020[13]. In 2015, energized by the progressed made in preparing for the renewable energy transition, the then Prime Minister announced his intension to reach 30% renewable energy by 2020.

In November 2015, Saint Lucia communicated what is now known as its Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC), with interventions built on existing initiatives within the **energy, electricity generation and transport sectors.** Some of the overarching NDC targets for Saint Lucia included, reducing greenhouse gas emissions by 16% in 2025 and 23% in 2030. The energy sector is responsible for the majority of the greenhouse gas emissions in Saint Lucia in comparison to other sectors. The three targeted areas presented in the NDC were energy efficiency, electricity generation and transport. Electricity generation from renewable energy targets a mix of geothermal, wind and solar for Saint Lucia with proposed penetration of 35% by 2025 and 50% by 2030.[14]

Energy interventions are expected to target energy consumption and efficiency, reducing the high pulling load, particularly by the tourism sector, encourage energy efficient appliances and looking to increase water and network efficiency. The interventions for electricity are

[12] National Energy Policy, 2010, p.16
[13] Ibid, p.16
[14] iNDC Contribution to UNFCCC, 2015, p.2

expected to focus on the renewable energy targets, and grid improvements along with transmission and distribution[15].

5.2 National Energy Transition Strategy (NETS)

The Government of Saint Lucia unveiled an energy transition strategy in 2016 which presented the most optimal and least cost options for replacing diesel-generated electricity with renewables.

"The scenario offering the greatest economic benefit to Saint Lucia consists of up to 31MW of solar photovoltaics, 12MW of Wind capacity (LUCELEC owned) and energy efficiency displacing 11% of the load by 2025…With concessional financing, proven resources, and effective system integration, geothermal up to 30MW could be an effective electricity-producing asset, providing valuable base-load generation and allowing the country to reach renewable energy penetration in excess of 75%." [16]

The objectives of the ECERA project support the targets of the NETS and could easily enhance the delivery of energy security at least costs.

5.3 Policy Prescriptions for Energy Reform

In 1999, the Cabinet Conclusion Nº 464 eliminated all import duties and consumption taxes on renewable energy technologies. Solar water heaters were introduced in 2001. The Cabinet of Ministers approved the Sustainable Energy Plan, which identified the need to enhance security of energy supply and use in all sectors of the economy. The National Energy Plan proposed the creation of a regulatory and institutional framework, for the introduction of indigenous renewable energy to the national energy matrix (Government of Saint Lucia, 2010).[17] The NURC Act No. 3 of 2016 gave way, for the first time, to an independent electricity regulatory body on the island. This was accompanied by the Electricity Supply (Amendment) Act No. 2 of 2016 which de-bundled electricity generation from distribution and removed the monopoly on generation thereby permitting independent power producers into the electricity generation market for the first time in Saint Lucia. Grenada introduced new legislation for both regulation and electricity services. However, it has since amendment

[15] Ibid.
[16] Torbert et al (2016), p.27
[17] OLEAD, Energy Balances Report 2014

the 2016 Electricity Services Act; and initial independent reviews suggest that the Act requires major overhauls.

The ECERA project provided significant legislative review and development through stakeholder consultations to understand and interpret the complexities of the energy reform process for the islands. The project has succeeded in establishing this basis for expedited reform. For this reason, continued implementation of the policy prescriptions through legislative and institutional reforms are tremendous benefits for continued realization of the NEP targets.

5.4 The role of the National Regulator in Energy reforms

However, the process for executing the requirements in the legislative reforms must be adopted and endorsed by the national regulator. The NURC is in the process of reviewing the interconnection studies, and the IRP which has been done, to establish how it can continue the grid-tied project and to determine what capacity of roof-top PV (for example) may be approved for domestic and commercial self-generators. The PURC is still in the process of recruiting its staff and will require tremendous hand-holding; unless a very qualified and experienced CEO is urgently recruited to guide its early developmental stages.

The NURC must also establish whether to continue the existing Net-Metering system or introduce a Net-Billing programme. Net Billing will require the development and approval of a tariff for self-generation purchases by LUCELEC and for purchases from the grid by intermittent self-generators, for example, when their systems are not producing energy.

The outcomes of the ECERA project as described in 3.0 above, provided significant policy and legislative reforms that dovetail with overarching energy transition strategy, the NDCs and other policy initiatives in both countries. Managing the role of the incumbent utility against other IPPs is also sensitive and potentially explosive, particularly among the tourism sector, which is the single largest consumer group, and have become extremely vocal with respect to the desire to promote grid-tied self-generation[18].

[18] *A local RE Supplier has commenced legal proceedings against LUCELEC in the Eastern Caribbean Supreme Court claiming that the utility "incorrectly and/or erroneously interpreted ESA Cap 9.02…and wrongly informed the claimant's customers that they could not self-generate more than 25kw of electrical power from renewable sources for their own use and consumption and*

The reiterated value of a viable and competent independent regulatory body cannot be overemphasized and therefore should be prioritized in any future energy support initiatives.

remain on the defendant's grid."

6.0 SUSTAINABILITY

While the original concept of a full-service, centralized regional regulatory authority is not appropriate at this time, given the current needs of the countries and the low level of commitment to ECERA from other countries in the region, a regional approach to the development of the electricity sector remains a valid development objective. Given the change in the scope of the ECERA, and its more limited role as an advisory body, going forward, ECERA's redefinition as the Eastern Caribbean Energy Regulatory **Agency**, is perhaps more relevant and strategic.

6.1 Proposed modifications to ECERA

6.1.1 ECERA the "Agency"

ECERA as the regional body will be expected to (i) support the local regulatory authorities (LRAs), that is the NURC and PURC, including providing assistance for their operationalization, through direct financial support either from a new the Project or through an appropriate levy as recommended in the Castalia Report on self-financing; and (ii) through the provision of technical and policy assistance including frameworks/models for common/harmonized policies and regulations, and through the implementation of critical studies/assessments. The division of responsibilities between the ECERA and LRAs is reflected in Annex I. It provides an excellent appreciation of how the sister regulatory bodies would collaborate and support each other.

6.1.2 Modifying the original Institutional Structure

The proposed modification to the institutional structure is consistent with the spirit of the original project design. The original project design diverged between regulatory responsibilities that were national in character, such as dealing with consumer and regulatory compliance matters, versus those that would be carried out by ECERA, including functions related to tariff setting, reviewing utility investment plans, and connecting new generation. In addition, the original project design contemplated having two ECERA representatives in each country to attend to local regulatory affairs. In the current proposal, each LRA will be responsible to manage consumer and regulatory compliance issues, rather burdening ECERA with these local issues.

6.1.3 Legal Basis

The PCs maintained that the legal basis for the ECERA must be flexible enough to allow countries to join the Agency in the future. Greater participation by other countries is essential for achieving greater financial sustainability of the ECERA and increasing its regional impact. The treaty was so drafted that it gave careful consideration to ensure that the it is flexible enough to accommodate the possibility to "accede" to the treaty. In addition, the treaty defines the financial arrangements through which other countries could pay for full or partial ECERA services.

6.2 Completing the Legislative Reform Process - Energy Efficiency Legislation

The NETS study which attempts to carve out an energy transition strategy for Saint Lucia, also concluded that *"energy efficiency is the cheapest route to a least-cost solution. Energy efficiency is competitive with diesel at almost all feasible oil prices, competing at costs as low as $5 per barrel"*[19].

Energy efficiency (EE) measures are relatively easier to implement due to their technical ease, relatively lower cost and shorter payback period. These measures can be implemented over a wide range of areas without any significant changes in infrastructure. The energy and financial savings accrued when lumped together can have a significant positive impact on the economy.

Perhaps EE legislation represents the last and most critical third-leg of the legislative transformative process in pursuing sustainable energy reforms. To this end, a draft EE bill with supporting regulations have been prepared for Saint Lucia and there has been some preliminary public consultation.

6.3 Proposed Next Steps

The next steps for this OECS initiative being piloted by Saint Lucia and Grenada, that will

[19] Op.cit. Torbert et al, p.26

ensure project sustainability, is a combination of work towards giving life to the Treaty at a policy level; completing the legislative framework development work including the EE legislation; and thirdly, providing the technical capacity for the two independent regulatory bodies to perform their prescribed duties as enshrined in the legislation.
The absolute necessity of a sound and robust consultative process with all stakeholders, particularly the incumbent utilities for the provision of technical and financial inputs predicated these interventions. This must be the guiding principal as lack of adequate and strategic consultation, inevitably leads to challenges in implementation.

The World Bank and other development partners have been actively working with the respective beneficiary countries in pursuit of increasing RE penetration into the national electricity grids of both Grenada and Saint Lucia. Dominica already boasts an independent electricity regulator, but therein lies the opportunity to find synergies with Saint Lucia and Grenada; and collaborate to support a regulatory agency as articulated under 3.2.2 and 6.1.1. Despite the inconsistent messages signaled from Antigua and Barbuda, and Saint Kitts and Nevis, their continued demonstrated interests throughout the life of the project is indicative of the recognition of the value of regional collaboration in energy regulation. This will become even more apparent, when issues relating to interconnection to support the viability, particularly of geothermal resource production in small markets, becomes more astute.

Significant progress and impact on the energy reforms in Grenada and Saint Lucia have been achieved. However, the legislative framework, as well as the institutional capacities of the respective national regulatory bodies require the technical and legislative support which the ECERA activities proposed to provide under 3.3. It would be counterproductive to interrupt this process at this critical stage when from all indications, the continuation of these activities will provide that critical construct to facilitate national energy transition strategies, which are so dependent on bridging the legislative and technical capacity gaps.

Against this background, it is not repetitive to echo the recommendations highlighted in the End of Assignment Report for the Technical Coordination component of the project, “that a well-funded intervention strategy be developed and approved to continue this work…otherwise the earlier efforts and achievements of this project would have been deemed near futile.” *(See Annex 11 Framework for Proposal for Energy Transition Management)*

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ANNEXES

Annex 1: Division of labor between ECERA and LRAs

Regulatory Function	ECERA	PURC	NURC
Tariffs			
Provide recommendations on tariff design (cost-reflective and performance-based tariffs)	☑		
Review utility tariff applications and advise LRAs on response	☑		
Facilitate public consultations on tariffs (e.g. rate hearings)		☑	☑
Make enforceable decisions on the tariff: base rate, adjustment formula		☑	☑
Monitor utility compliance with correct application of the tariff		☑	☑
Setting service standards			
Develop best practice service standards including: • **reliability** • **technical losses** • **customer services (new connections, outage repair, etc.)** • **SAIFI (average interruption frequency)** • **SAIDI (average duration indices)** • **CAIDI (customer interruption duration)** • **efficiency standards (e.g. minimum fuel efficiency, calorific value)**	☑		
Support regional benchmarking of utility performance	☑		
Monitor utility compliance with service standards		☑	☑
Develop penalty scheme	☑		
Enforce penalty scheme		☑	☑
Utility Compliance and Transparency			
Develop guidelines for minimum reporting standards for actors in the energy sector (utility, IPPs, etc.)	☑		
Maintain updated database of utility reports and facilitate the disclosure of pertinent energy-sector information to the public		☑	☑
Monitor utility handling of customer complaints		☑	☑
Ensure compliance with reporting standards by energy sector actors		☑	☑
Ensure compliance of independent generators with technical, financial, and operational requirements		☑	☑
Review of utility expansion plans			
Develop and review harmonized rules for utility expansion plans	☑		

Review investment plans related to generation, transmission and distribution and advice LRAs on response	☑		
Approve investment plans related to generation, transmission and distribution on the advice of ECERA		☑	☑
Approve expansion plans and ensure consistency with policy and rules		☑	☑
Policy			
Promote harmonization of policy and regulatory environment across ECERA member countries (and beyond)	☑		
Develop tools to promote renewable energy (Feed-in-tariff, RPS)	☑		
Develop harmonized program to promote energy efficiency/DSM	☑		
Respond to requests from the ministry for advice on energy policy issues, support with drafting of new energy policy legislation	☑		
Facilitate the development of regional-scale projects	☑		
Facilitate training on regulatory services for regulatory and utility personnel (including liaison with other regional/international institutions)	☑		
Private Sector Engagement			
Develop common renewable energy procurement documents for IPPs (PPA, tender documents)	☑		
Draft harmonized licensing rules and procedures for generation	☑		
Approve license/permit requests from generators		☑	☑
Develop interconnection and licensing standards and procedures for pv and other distributed renewable energy technologies	☑		
Verify that IPPs and distributed generators meet all regional and local interconnection requirements	☑	☑	☑
Information Resource Center			
Collect statistics and data required for decision making	☑		
Procurement of Services			
Procure services for the execution of the work agenda of the NURC and PURC	☑		

Annex 11: Framework for Proposal for Energy Transition Management

Policy Development and implementation

Ratification of Treaty with regional regulatory Agency
Review of concessions to support the energy transition
Review of international commitments regarding energy

Legislative Review and implementation

Electricity Services Supply and supporting regulations and licenses
Energy Efficiency and supporting regulations
Renewable Energy Sources extraction legislation e.g. Geothermal
Energy Regulatory amendments and development of supporting regulations

Technical and Standard Operating Procedures for Regulatory Bodies

Regulatory Operations and Governance
Model Licensing Agreements and Tariff calculations

Capacity building and Training

Personnel Attachments with recognized Regulatory Bodies
Training in Tariff calculations
Training in IPP negotiations

Report Prepared by Grenada's Procurement Unit

EASTERN CARIBBEAN ENERGY REGULATORY AUTHORITY (ECERA)
Status Report

Background

The electricity systems of OECS members are small, insular and almost completely dependent on diesel for electricity generation. The demand for electricity has been growing continuously driven mostly by commercial and residential sectors in tourism-led economies. To ensure a reliable supply in such small and insular electricity systems, the region's electricity utilities have to maintain large reserve margins and to ensure regular investments in new capacity.

In all OECS Member States, Electricity Supply Acts (ESA) offer utilities exclusive licenses to produce and distribute electricity. Each OECS Member State's Electricity supply is dominated by a single supplier.

Recognizing the regulatory, incentive and performance gaps, the OECS members share a common view that the current regulatory set up, in which governments have limited capacity to exert oversight over utilities, is insufficient, as is the individual governments' capacity to implement medium-term national policies and comprehensive solutions to structural challenges. States agree that the electricity supply industry regulatory framework has to be reinforced, that it is timely to do so, and that the cost of doing so individually would not be sustainable.

In this regard, a proposal was developed for the establishment of a regional energy regulator named the Eastern Caribbean Energy Regulatory Authority (ECERA), as a way to improve efficiency in electricity service delivery in member States.

Objectives

The main objectives of the ECERA Project are:

1. **To establish and operationalize a regional framework to enhance the efficiency in the provision of electricity services and develop the energy sector in the OECS.**

2. **Maximize economies of scale in regulating the electricity sector and in the utilization of scarce human resources;**

3. **Diversify energy sources from fossil fuels and increase efficiency in the generation, delivery and use of electricity;**

4. **Foster investment in renewable energy projects;**

5. **Lower electricity prices in the long run**

<u>Components</u>
The project was divided into 2 components.
- **Part A – preparation of ECERA including national policy reforms**
- **Part B – operationalization of ECERA**

As part of the original implementation arrangements, the OECS Project Management Unit was responsible for the implementation of part A while the member countries were responsible for the implementation of Part B through the development of a National Utility Regulatory Commission (NURC) and Public Utilities Regulatory Commission (PURC).

The project was re-structured in 2016. During the restructuring the Project Coordination Units of both Grenada and Saint Lucia was given the responsibility for implementation of the various activities.

The PCU Grenada started to work in close collaboration with the Ministry of Infrastructure Development, Public Utilities, Energy, Transport and Implementation to provide the technical expertise for the implementation of the activities under the project.

<u>Activities completed</u>
Given the delays experienced, a number of proposed activities was not completed. The following are the completed activities during the period:

2. **Procurement of IT Equipment to include printers, laptops, server and videoconferencing equipment.**
3. **Procurement of Conference Table and Chairs**
4. **Procurement of office furniture to include desks, cabinets, storage cupboards and chairs.**

5. **Procurement of appliances to include refrigerator, microwave, coffee maker and kettle.**

A Technical Coordinator was hired to assist with the development of TOR's and the establishment of a road map for the setting up of a sustainable regulatory system and identify the expert services required, which was a joint contract between the Government of Grenada and Saint Lucia.

The procurement processes for the hiring of key personnel to staff the Public Utilities, Regulatory Commission (PURC) was also completed. The Commission is currently operational.

Funds Disbursed to date is XCD 154,029.65.

Implementation Completion and Results Report (ICR) Document

Submitted by: Maxine Alexander Nestor – Project Manager, ECERA – Part A

NOVEMBER 2016

Table of Contents

B. BACKGROUND TO EASTERN CARIBBEAN ENERGY REGULATORY AUTHORITY (ECERA) PROJECT

1. At the 44th OECS Authority Meeting in January 2007, Heads of Government agreed that electricity supply challenges should be addressed regionally through a strategy aimed at improving the regulatory framework for electricity sector governance.

2. During the 49th Authority Meeting only Saint Lucia and Grenada expressed interest in setting up ECERA and requested World Bank's support.

3. At the 50th OECS Authority Meeting in November 2009 Heads of Government reiterated their interest in establishing ECERA.

4. At a Special Meeting held in March 2011 the OECS Authority gave 'no objection' for the OECS Commission to act as Implementing Agency for Part A of the ECERA Project.

5. The ECERA Project was approved by the World Bank / IDA Board in June 2011 as loans to Grenada and Saint Lucia in a total amount of US $5.6 M for both Part A and Part B, equivalent to US $2.80 million per country. Of the US $5.60 million made available to the countries – US $2.61 million has been allocated to Part A and US $2.99 million has been allocated to Part B.

C. GOVERNING LEGAL AGREEMENTS AND INSTITUTIONAL ARRANGEMENTS

6. Separate Financing Agreements (FA) between the International Development Association (IDA) and the Governments of Grenada and Saint Lucia were signed on September 23, 2011. Those Agreements became effective on June 21, 2012 after contract conditions were deemed fulfilled.

7. Project Agreements between the IDA and the OECS were also signed in September 2011 with respect to implementation of Part A of the ECERA Project. The indicator for measuring progress towards the achievement of Part A is stated as: *"Entry into force of the ECERA as the regulator of Participating Countries' electricity markets by ratification of the ECERA Treaty".* ECERA was expected to be established as a Supranational Multijurisdictional Regional Regulatory Authority with direct oversight of the electricity industry in the countries that ratified the Treaty or later acceded to same. The ratification of the ECERA Treaty was the proposed trigger for commencement of Part B.

8. It was projected that after ECERA was established as an Inter-Governmental Agency by way of Treaty, the legal entity ECERA would have implemented Part B of the ECERA Project. The initial timeline for the ECERA Project was 5 years (from June 2011 – after Board approval of the loan - to December 2016). The legal agreements do

not stipulate an end date for Part A and commencement date for Part B, however it was projected that Part A would have ended by December 2014.

9. Implementation of Part A commenced in November 2012 following establishment of the ECERA Project Management Unit within the OECS Commission. The legal agreements obligated the beneficiary countries, Grenada and Saint Lucia to establish a Regional Energy Committee (REC) and appoint to the REC, and maintain at all times during the implementation of the Project, a representative at the level of permanent secretary or other senior official with sufficient decision making authority from its designated Ministry. The REC's primary mandate was to provide oversight and strategic guidance to the ECERA PMU during implementation of Part A of the ECERA Project. Accordingly, the Project Manager was contractually obligated to report to the REC.

10. From commencement of implementation in November 2012 to February 2015 the REC instructed the ECERA PMU to undertake activities pertaining only to the development of new electricity sector laws in both Grenada and Saint Lucia and to put on hold the development of the ECERA Treaty.

11. Due to changing policy positions on the structure for the establishment of the Eastern Caribbean Energy Regulatory Authority and re-conceptualisation of the design for Part A of the ECERA Project to include substantial legal and regulatory reforms in Grenada and Saint Lucia, the completion date for Part A of the ECERA Project was extended on several occasions at the request of the ECERA Participating Countries and the World Bank. The completion date was first extended to September 30, 2015, December 31, 2015, June 30, 2016, September 30, 2016 and finally December 31, 2016.

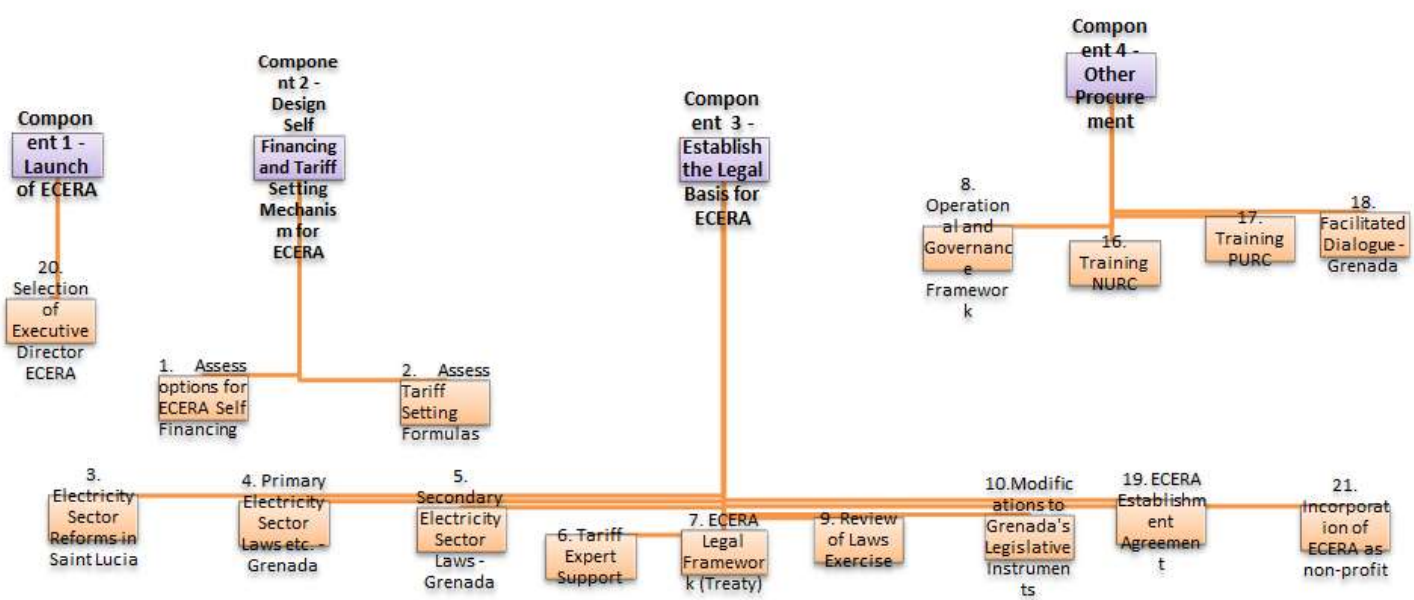
D. CHANGES IN POLICY POSITION ON MODEL FOR THE ESTABLISHMENT OF ECERA

12. In late 2014 the ECERA beneficiary countries submitted a formal request to the World Bank to restructure the ECERA Project. The restructuring meeting was held in February 2015. The countries did not formally invite the OECS Commission to participate in those meetings and did not include the OECS as a party to the resulting Aide Memoire.

13. One of the key decisions taken at those meetings in February 2015 was for ECERA to be established by Treaty as a 'service based regulatory advisory agency' to provide regulatory advisory service to the national regulators in Grenada (PURC) and Saint Lucia (NURC), instead of a 'regulatory authority'. The ECERA PMU was given the authorisation by the REC to develop the Treaty accordingly and all related legislative instruments. These instruments were completed by the OECS Commission / ECERA PMU in September 2015 and turned over to the ECERA Participating Countries for ratification to facilitate the commencement of Part B. It was further agreed in February 2015 that Part B of the ECERA Project will be implemented by the Project Coordinating Units (PCUs) in Grenada and Saint Lucia, instead of ECERA, the legal entity.

14. In January 2016 the ECERA Participating Countries and the World Bank agreed that the resources allocated by the World Bank / IDA for Part B of the ECERA Project will be utilized to: (i) operationalise ECERA; (ii) strengthen the NURC in Saint Lucia; and (iii) support the PURC in Grenada. Further, it was decided that ECERA will now be established as a *non-profit company under the Companies Act of Saint Lucia*, and not by Treaty, functioning as a regional regulators' agency with a lean structure of one or two staff, headed by an Executive Director. It was further agreed that the deadline for completion of the ECERA Project (Parts A and B) will be extended from <u>December 2016 to November 2018</u> (World Bank rules allow for extensions less than 24 months). The OECS Commission was not invited to be a party to that Aide Memoire signed in January 2016.

E. SUMMARY OF PROJECT ACHIEVEMENTS



ACTIVITY	OUTPUTS	IMPLEMENTATION STATUS
1. Assess the Options for ECERA's Self Financing when World Bank funding ends.	**i. Final Report that established the following key elements:** ○ *ECERA would perform both advisory and regulatory functions;* ○ *The staff structure proposed as 'lean' included a Managing Director, 4 Directors, General Counsel, 6 Analysts and administrative staff;* ○ *ECERA's operating cost was analysed under a base case scenario (located in Saint Lucia) and 6 other scenarios;* ○ *Various financing mechanisms to ensure ECERA's sustainability were assessed with recommended option for direct levy to customers (end users);* ○ *Impact on tariff / cost to end users was assessed at increase in average consumer monthly bill by EC $3.00.* **ii. A Workshop was conducted in October 2014 to present the findings. All OECS Member States were invited. Most Member States participated but unfortunately due to a storm in the region at that time some flights were cancelled and some invitees were unable to travel.**	○ Castalia Strategic Advisers was contracted – April 2014 at a total contract price of US $558,290.00; ○ The contract was successfully completed in November 2014.

ACTIVITY	OUTPUTS	IMPLEMENTATION STATUS
2. Assess the current tariff setting formulas enshrined in Saint Lucia and Grenada's 1994 Electricity Supply Acts and recommend appropriate changes.	Final Report that established the following key elements: o Good performance and healthy margins by GRENLEC and LUCELEC – current tariff covers cost of service; o Maintain banded rate of return approach with profit sharing mechanisms but establish periodic tariff reviews **(LUCELEC);** o Maintain price cap regulation but establish 5 years regulatory period and adjust X-factor **(GRENLEC);** o Maintain current customer categories with some changes to charges; o Implement disaggregated, cost-reflective and fuel neutral tariff - allocate cost to fixed and variable charges among customer categories, keep fuel surcharge but modify to include fossil fuel other than diesel, include RE charge to allow pass through of cost; o Alleviate the burden of cost reflective tariffs on vulnerable groups; o Establish operating and service standards.	
3. Electricity Sector Reforms in Saint Lucia.	o New Electricity Supply Service Bill; o Suite of eleven (11) pieces of Regulations including: *Tariff Setting*, *Grid Interconnection*, *Utility Expansion*, *Customer Code*, *Wiring and Electrical Licensing Authority*, *Licensing*; o LUCELEC Network and Generation Licence; o Model Licence for IPPs; and o Three face-to-face consultations in Saint Lucia and many virtual dialogues with stakeholders.	o Consultant Karen Stephen Dalton was contracted in October 2014; o Contract price US $72,800; o Contract ended successfully in June 2016.
4. Electricity Sector Reforms in Grenada (Primary Laws, Advisory Memo and Licences).	o New Electricity Supply Act; o New Public Utilities Regulatory Commission Act; o Advisory Memorandum on the implications of the reforms vis-à-vis the Share Purchase Agreement and strategies to avert Arbitration; o GRENLEC Network and Generation Licences; o Series of Flow charts showing roles & responsibilities and interaction of energy sector actors; and o One face-to-face consultation in Grenada and various virtual dialogues with stakeholders.	o Consultant Janis Brennan was contracted in October 2014; o Contract ended successfully in July 2015; o Contract price US $115,800.

ACTIVITY	OUTPUTS	IMPLEMENTATION STATUS
5. Electricity Sector Reforms in Grenada (Secondary Laws).	○ Five (5) pieces of Regulations under the Electricity Supply Bill, including *Tariff Setting, Competitive Generation Expansion, Customer Code, Electrical Safety; and Licensing Authorisation.*	○ Consultant Barbara Vargas was contracted in June 2015; ○ Contract ended in May 2016 – currently in dispute. OECS Legal Unit is in dialogue with the Consultant Barbara Vargas; ○ Contract price US $60,292.
6. Tariff Expert Support.	○ Tariff Setting Framework for Grenada and Saint Lucia; ○ Drafting instructions to Legal Drafters in developing Tariff Setting Regulations; ○ Reviewed draft Tariff Setting Regulations and provide feedback; and ○ Presented new Tariff Setting Framework to stakeholders in Grenada and Saint Lucia.	○ Consultant Cedric Wilson was contracted in August 2015; ○ Contract price US $36,000; ○ Contract ended successfully in May 2016.
7. Establish ECERA Legal Framework.	○ Draft Treaty establishing ECERA; ○ Model Instrument of Full Powers (to demonstrate authorisation to sign or ratify the Treaty); ○ Draft Grenada Legislation Implementing the ECERA Treaty; ○ Draft Saint Lucia legislation for implementing the ECERA Treaty; ○ Model instrument of ratification by initial contracting states; ○ Model instrument of ratification by subsequent contracting states; ○ Model Instrument of Signature after Entry into Force of the Treaty; ○ Workshop.	○ Consultant Janis Brennan was contracted in June 2015; ○ Contract price US $48,000; ○ Contract ended successfully in September 2015.
8. Operational and Governance Framework for ECERA, NURC and PURC.	○ Approximately 15 manuals and documents have been developed for each the ECERA, the National Utilities Regulatory Commission (NURC) and Public Utilities Regulatory Commission (PURC) as part of their respective Operational and Governance Framework. ○ Outputs include - *Business Plans, Annual Report Templates, Roles and Responsibilities interaction of sector agencies, Website Templates, Dispute Resolution Manuals, Complaints Handing Procedure, Procedure for*	○ Contract signed in July 2015 with Ricardo AEA and was successfully completed in June 2016; ○ The total contract value was US $437,942; ○ Successfully completed in June 2016.

ACTIVITY	OUTPUTS	IMPLEMENTATION STATUS
	Holding Public Hearing, Employees' Handbook, Procedure for Holding Public Hearing, Model Licences, Tariff Review Procedure, Sector Expansion Investment Plans, Procedure for Review and Approval of Operational and Performance Targets, Budgetary Control Systems, Financial and Accounting Procedures and IPP Frameworks ○ Training of stakeholders in Grenada and Saint Lucia.	
9. **Review of Primary and Secondary Electricity Sector Laws in Grenada and Saint Lucia**	○ Draft and Final reports for Saint Lucia and Grenada that provide: - *findings in gaps as well as inconsistencies among documents;* - *achievements in the legislative reform process;* - *comments and the Consultant's professional views on the quality, completeness and accuracy of the outputs under the various Consultancies; and* - *concrete recommendations for modifications to existing documents and development of additional laws, policies, guidelines or procedural documents to enhance the modernised legal and regulatory regime for the electricity / energy sectors in Grenada and Saint Lucia.* ○ Separate Consultations in Grenada and Saint Lucia were held in September 2015.	○ Consultant Miriam Oriolo was contract in May 2014 at a Contract price of US $30,000; ○ Contract ended successfully in October 2016.
10. **Legal Drafting Consultancy to Modify certain Legislative Instruments for Grenada based on the accepted findings of the Review Consultant.**	Modifications to the following documents using the Final Report titled: '*Review of new Primary and Secondary Electricity Sector Laws in Grenada and Saint Lucia – FINAL REPORT FOR GRENADA*' as the guide on drafting instructions: ***a. Electricity Supply Act No. 19 of 2016;*** ***b. Public Utilities Regulatory Commission Act No. 20 of 2016;*** ***c. Draft Network and Draft Generation Licences for GRENLEC; and*** ***d. Draft Terms and Conditions for the Supply of Electricity by the Network Licensee (Electricity Supply (Customer Service) Regulations).***	○ Contract signed in November 2016 with Miriam Oriolo based on single source selection; ○ The total contract value was US $10,500; ○ **Will be completed December 16, 2016**.
11. **Preparation of Policies and Regulations for**	○ Recommended process for procuring and managing grid tied renewable energy projects in the OECS;	○ Castalia LLC was hired by the World Bank in October 2014. The Final

ACTIVITY	OUTPUTS	IMPLEMENTATION STATUS
Renewable Energy in the OECS - Part 1	○ Reference materials for conducting and managing the procurement process, including: checklist for managing RE Projects, Request for Proposal Package, Model PPA for firm energy projects and Model PPA for intermittent energy Projects; and ○ Case studies of the experiences of other Caribbean countries in managing grid tied RE Projects.	Report was submitted in May 2015.
12. **Preparation of Policies and Regulations for Renewable Energy in the OECS - Part 2**	○ Policy design recommendations for scaling up solar PV investments; ○ RE rate setting model and user manual; ○ Outline of a Renewable Energy Bill; ○ Grid evaluation and Grid Code development; and ○ RE Integration Studies.	○ Meister Consulting Group was contracted by the World Bank in the last quarter of 2014. The Final Outputs were delivered in the first quarter of 2016. ○ The following firms were subcontracted by Meister: HOMER Energy, LLC; Energy and Advanced Control Technologies (EACT), and Trama TecnoAbiental, S.L. (TTA).
13. **Observer Countries and Institutions' Participation in REC Meetings and other activities.**	○ Continuous engagement with stakeholders aimed at increasing participation in ECERA.	Following approval of Grant Funds in November 2013, three face-to-face meetings were held – 5th Meeting November 2013, 8th Meeting May 2014 and 11th Meeting August 2015.
14. **Workshops / Strategic Outreach aimed at enlarging participation in ECERA.**	○ Engagements and dialogue with the non-participating OECS countries; ○ Increased awareness and endorsements on ECERA through presentations and participation in regional workshops and other forums.	○ 1st Workshop on the Self-Financing for ECERA was combined with the 8th Meeting of the REC held in Saint Lucia in May 2014; ○ 2nd Workshop on the Self-Financing of ECERA was combined with Regulatory training held in Grenada in October 2014; ○ Presentation of the draft ECERA Treaty was combined with the 11th

ACTIVITY	OUTPUTS	IMPLEMENTATION STATUS
		Meeting of the REC and the Strategic Outreach held in Dominica in August 2015.
15. **Regulatory Training and Other Studies.**	○ **Three day regulatory training for high level energy sector officials from the OECS countries;** ○ **Strategy Paper for engaging OECS Countries on the electricity sector regulation with the view to enlarging participation in ECERA; and** ○ **Paper on options for two study tours (one regional and one international) on Regulatory Best Practices for electricity sector regulation in Small Island Developing States. The Study Tours will target High Level Political Leaders and Energy Sector Policy Makers as well as Energy Sector Technical Officers from the six (6) Independent OECS countries.**	○ The Public Utility Research Center at the University of Florida was contracted in August 2014 based on single source selection; ○ The total contract value was US $54,600 fees plus travel expenses; ○ The contract was successfully completed in October 2014.
16. **Customised Regulatory Training for the National Utilities Regulatory Commission in Saint Lucia**	**Two-day Public Utility Research Center (*PURC) Regulatory Training Course* for the target participants on *inter alia*:** ○ **Fundamentals of Regulatory Systems;** ○ **Governance Models and Relationships in Regulatory Systems;** ○ **Essentials of Utility Finance;** ○ **Ratemaking and Incentives;** ○ **Implications of and Strategies for Non-Revenue Water and Electricity;** ○ **Integrating Renewable Energy;** ○ **Assessing the Regulatory System; and** ○ **Establishing the Regulatory Process.**	○ The Public Utility Research Center at the University of Florida was contracted in May 2016 based on single source selection; ○ The total contract value was US $20,000 fees plus travel expenses; ○ The training was successfully conducted in Saint Lucia on May 19 and 20, 2016.
17. **Customised Regulatory Training for a Cadre of persons to fill position in the newly established Public Utilities Regulatory Commission in Grenada.**	○ **Three-day Public Utility Research Center (*PURC) Regulatory Training Course* for the target participants on *inter alia*:** ○ **Fundamentals of Regulatory Systems;** ○ **Governance Models and Relationships in Regulatory Systems;** ○ **Assessing the Regulatory System;** ○ **Essentials of Utility Finance;** ○ **Ratemaking and Incentives;** ○ **Applying Benchmarking Techniques;** ○ **Challenges with Independent Power Producers;** ○ **Integrating Renewable Energy;** ○ **Regulating Service Quality;**	○ The Public Utility Research Center at the University of Florida was contracted in November 2016 based on single source selection; ○ The total contract value was US $31,000 fees plus travel expenses; ○ **Training will be held November 29, 30 and December 1, 2016 in Grenada. The contract**

ACTIVITY	OUTPUTS	IMPLEMENTATION STATUS
	○ **Establishing the Regulatory Process; and** ○ **Assessing the Regulatory System.**	**expires December 9, 2016.**
18. **Facilitated Dialogue between the Government of Grenada and the Investor in GRENLEC – WRB Enterprises.**	The objective of this Assignment was to: *Support facilitated discussions between the Government of Grenada and WRB Enterprises, the majority investor in GRENLEC with a view to developing a working relationship, a mutually satisfactory framework with major areas of alignment and a process to reach win-win solutions.* ○ **Win/win value proposition memo** ○ **Draft framework for way forward between GoG and WRB Enterprises / GRENLEC** ○ **Final Framework for way forward between GoG and WRB Enterprises / GRENLEC.**	Rocky Mountain Institute (RMI) was contracted in March 2016 at a total cost of ***US $15,620.00, plus travel expenses for two (2) trips to Grenada. The Consultant provided significant 'in-kind' support.***
19. **Drafting ECERA Establishment Agreement.**	Draft ECERA Establishment Agreement that contained the following key elements: **a. ECERA will be established as an Independent Association of National Regulators, operating without Governmental influence, to broadly provide technical advisory services to: (i) Governments in the creation of National Regulators (including drafting of relevant sector laws and other statutory instruments) and, (ii) National Regulators within the OECS in promoting sound regulatory practices on the broad continuum of regulatory functions. ECERA will also foster collaboration among National Regulators within the OECS and encourage the harmonization of policies, regulations and studies etc. through pooled or joint approaches aimed at achieving inter alia, economies of scale.** **b. ECERA will have five (5) categories of membership opened to:** **i. all independent National Regulatory Authorities within the OECS responsible for energy regulation;** **ii. Governmental authorities within the OECS assigned responsibility for energy regulation;** **iii. national or regional regulators within the OECS assigned responsibility for regulation of sectors other than energy;** **iv. National Regulatory Authorities outside of the OECS responsible for energy regulation;**	The Agreement was drafted by the ECERA Project Manager.

ACTIVITY	OUTPUTS	IMPLEMENTATION STATUS
	v. Associations of Regulators assigned responsibility for energy regulation or other sector within or outside of the OECS; and **vi. developmental and other regional institutions that support the development of the energy sector within the OECS.** The groupings identified above will fall within the categories of Full and Associate Members. There is also limited provision for individuals to be accepted as Honorary and Ex officio Members (in some instances only for the purpose of satisfying statutory requirements pertaining to ECERA's incorporation). **c. ECERA will be governed by a Board of Directors comprised of nominees proposed by Founding Members (NURC and PURC in Saint Lucia and Grenada respectively) and Full Members. Other categories of Members may be invited to attend Board meetings as Observers but cannot vote or be nominated for office on the Board. However, all categories of Members will be invited to annual Meetings of Members (similar to shareholders meetings).** **d. The Board will meet at least four (4) times per year and will inter alia: approve the hiring of consultants and acceptance of Consultants Reports/Deliverables and Position Papers, recruit the Executive Director and staff of ECERA, establish internal rules and procedures and appoint committees, provide strategic guidance, engage in strategic outreach to increase membership in ECERA, determine annual membership dues and level of contribution to be paid by Founding and Full Members to sustain ECERA's operations.** **e. ECERA will be managed on a day-to-day basis by a Secretariat headed by an Executive Director with one or two other staff. The Executive Director is required to serve as an Advisor to the PURC, NURC and other national regulatory authorities that may join ECERA, on matters concerning the electricity sector, including industry performance, tariff setting, bench-marking and private sector engagement. It is anticipated that the ECERA's Executive Director (and one other staff) could be housed at the offices of the**	

ACTIVITY	OUTPUTS	IMPLEMENTATION STATUS
	NURC, the PURC or any other Full Member of ECERA on a rotating basis. **f. Funding:** **i. ECERA's initial budget will be funded from the credit resources made available to Grenada and Saint Lucia through the International Development Association / World Bank, extending up to the end of 2018. Other Full Members will be required to make a contribution to ECERA's budget.** **ii. In addition, Founding, Full and Associate Members will be required to pay annual membership dues in an amount as determined by the Board.** **iii. Any OECS Member State or ECERA Member may request direct advisory and other services from ECERA on a 'fee for services' basis.** **iv. ECERA, through its Executive Director will be required to mobilise grant resources from donors and development partners.**	
20. **Selection of an Executive Director for ECERA.**	○ **Publication of Request for Expressions of Interest for a suitably qualified candidate globally in April 2016;** ○ **Preliminary Short-list Report submitted in June 2016;** ○ **Limited re-advertisement in ECERA Participating Countries in October 2016 pursuant to a decision of the REC;** ○ **Final Short-list Report submitted in October 2016.**	The ECERA Participating Countries, with support from the NURC and PURC will complete the process for the selection of an Executive Director for ECERA.
21. **Incorporation of ECERA as a non-profit company under the Companies Act of Saint Lucia.**	○ Inception Meeting to discuss parameters of the assignment and identify areas where policy direction would be required. ○ Prepared an Advisory Memorandum for ECERA Stakeholders on the process and the statutory requirements for incorporation of ECERA as a non-profit company under the Companies Act of Saint Lucia. ○ Prepared timelines for actions to ensure submission of the application for approval by the Attorney General by June 30th, 2016. ○ Conducted name search and reserved the intended name of the company, ***Eastern***	○ **Mr. Deale Lee was contracted in April 2016 at a total contract value of EC $9,500.** ○ **Mr. Lee's contract was extended from June 2016 to August 2016 following the change in political administration in Saint Lucia.** ○ **Following a briefing with the responsible Minister for Saint Lucia in August 2016 Mr.**

ACTIVITY	OUTPUTS	IMPLEMENTATION STATUS
	Caribbean Energy Regulators Agency Incorporated. ○ Prepared all incorporation documents including: *Articles of Incorporation, Notice of Directors, Consent to Act by Directors and Notice of Registered Office*. ○ Prepared the Bye-Laws for ECERA. ○ Liaised with then Ministry of Sustainable Development to obtain the Ministry's endorsement for the incorporation of ECERA as a non-profit company. This process was overtaken by the change in political administration following the June 2016 elections in Saint Lucia and the subsequent re-designation of Ministries. ○ Prepared the application letter to the AG requesting approval and explaining in that letter how the objectives of ECERA satisfy the requirements of Section 328 of the Companies Act. ○ Submitted all documents at the AG's Chambers in early October 2016 (in view of the slippages and inactions by the countries, the Consultant was instructed to submit the application despite it being incomplete due to failure by the countries' representatives to submit their Police Certificate of Character and Saint Lucia obtaining a Cabinet decision endorsing the incorporation of ECERA as a nonprofit entity).	**Lee's contract was further extended to October 31, 2016 to facilitate the completion of the process for incorporation of ECERA as a non-profit entity;** ○ **However, due to the grave inactions by the ECERA beneficiary countries in fulfilling their various obligations, notwithstanding the imposition of deadlines by the Project Manager, the process for incorporation of ECERA has not been completed;** ○ **Mr. Lee's contract expired since October 31, 2016;** ○ **In light of the projection that the incorporation process for establishment of ECERA as a non-profit company will not be completed by December 31, 2016, a decision was taken at the 15th meeting of the Regional Energy Committee (REC) held on November 16, 2016 that the OECS Commission should amend the Contract with Consultant Deale Lee to reflect that the final payment of EC $3,800 will be made to Mr. Lee on submission of a *'Road-map for***

ACTIVITY	OUTPUTS	IMPLEMENTATION STATUS
		***completion of the Incorporation process'*, instead of the actual incorporation documents. and discharge Mr. Lee from any further obligation under the contract;** ○ **The ECERA Participating Countries have assumed responsibility for completing the process for incorporating ECERA as a non-profit Company.**

F. CHALLENGES EXPERIENCED DURING PART A AND LESSONS LEARNT

i. **Much time and effort was expended redesigning and re-conceptualising the model for ECERA. This resulted in the delayed completion of Part A of the ECERA Project by almost 2 years and investments in some consultancies that were superfluous, like the development of the ECERA Treaty and the Study on the Self-Financing of ECERA.**

ii. **The original design for ECERA as a Regional Regulatory Authority, largely conceived based on the ECTEL model, did not take account of the peculiarities of the energy industry and the unique characteristics of the electric utilities within the OECS, including different market and ownership structures.**

iii. **There is limited readiness among OECS Member States for a regional regulator with inherent supranational powers.**

iv. **Due to the dearth of skills available in the region for the specialised utility regulation, there is need for significant capacity building of staff and Commissioners appointed to nascent national electric regulatory commissions. Accordingly the lead time for appointment of staff and Commissioners and the full discharge of their regulatory mandate as enshrined in statute is long.**

v. **Expertise in electricity sector legislative and regulatory reforms is not widely available even at an international level. This is evident from the poor quality of interest submitted. ECERA in Part B must find creative ways to develop a pool of suitably qualified consultants in these areas.**

vi. **The actions by local Consultant Barbara Vargas to circumvent compliance with her Scope of Work and undermine the role of the Project Manager, as prescribed in the contract, by approaching the upper echelons of OECS Management when requested to remedy the defects of her outputs contributed significantly to the manifestation of a dispute.**

G. HANDOVER OF ASSETS

The following fixed assets purchased under the ECERA Project were handed over to the OECS Commission:

- 4 L-Shape Workstation Desks;
- 4 Filing Cabinets;
- 4 Executive Chairs;
- 8 Guest Waiting Chairs;
- 3 Bookshelves;
- 1 Metal Storage Cabinet;
- 4 Desk Top Computers & Monitors;
- 2 Lap Top Computers;
- 1 Printer;
- 1 Shredder;
- Scanner (non-functional);
- 1 Digital Camera;
- 1 Projector;
- 1 Multifunctional Photocopier;
- 4 Digital Phones; and
- 1 Alcatel One Touch Mobile Phone.

H. CONTRACTS PENDING WORLD BANK'S 'POST REVIEW'

In 2014 the World Bank proposed that all subsequent procurement under the ECERA Project should be '*Post Review*'. ***The last Procurement Post Review Supervision Mission for the ECERA Project was conducted by the World Bank's Senior Procurement Specialist on September 15 and 16, 2015.***

The findings on the Review of the Procurement Process as contained in the Senior Procurement Specialist's Report revealed the following:

> *"Procurement processes are in compliance with the Financing and Project Agreements, procurement guidelines and agreed procurement plans in general. The Project Manager, acting on project procurement, manages the processes with high technical quality while fiduciary compliance is maintained.*
>
> 1. *Selection for individuals managed by the PMU is efficient and effective, with the completed contracts to the full satisfaction by the countries.*
> 2. *Templates are recommended be used for inviting the individual consultants by referral.*

3. *One QCBS process subject to post review is found with high quality further enhanced based on the experience from the first group of three (3) QCBS and one (1) LCS contracts."*

The World Bank's Procurement Specialist's findings with regard to Contract Administration under the ECERA Project revealed the following:

> *"Contracts are well managed by project team, including managing the contract time schedules, acceptance of deliverables and payment."*

Since the Procurement Post Review Mission by the World Bank in September 2015 the following new 'Post Review' Contracts have been executed (or will be executed in the case of the Audit):

Package ID	Description	Procurement Method	Contract Value (US$)	Consultant
C25	Review of Laws Expert	Individual Consultant	$30,000	Miriam Oriolo
C29	ECERA Incorporation Documents	Individual Consultant	$ 3,500	Deale Lee
C30	NURC Two-day Regulatory Training	Single Source Selection	$20,000	Public Utility Research Center
C31	PURC Three-day Regulatory Training	Single Source Selection	$31,000	Public Utility Research Center
C32	Modifications to Grenada's Laws	Single Source Selection	$10,500	Miriam Oriolo
C28	Support for Grenada's Facilitated Discussions	Single Source Selection	$15,620	Rocky Mountain Institute
C27	Audit of the use and management of the Credit Resources for the period July 1, 2014 to December 31, 2016	Single Source Selection	$15,577	BDO Eastern Caribbean

These contracts are highlighted in the attached Procurement Plan. The World Bank and the OECS Bid Committee granted 'no objection' to all the contracts that were based on 'single source selection' method following detailed justification by the Project Management Unit and thorough review.

EXIT REPORT BY PROJECT MANAGER
EASTERN CARIBBEAN ENERGY REGULATORY AUTHORITY PROJECT – PART A

ORGANIZATION OF EASTERN CARIBBEAN STATES

WORLD BANK

PROCUREMENT PLAN UPDATED AS AT NOVEMBER 2016

Project: EASTERN CARIBBEAN ENERGY REGULATORY AUTHORITY

IDA Financing 4935 - GD; IDA Financing 4936 - LC

Period comprised in this Procurement Plan: January 2013 to 31 December 2016

Package ID	DESCRIPTION	Estimated Contract Value (US$)	Actual Cost Contract Value (US$)	Procurement method	Review (PRIOR or POST)	Estimated Dates			Status (pending, in process, awarded, cancelled)	Comments
						Publication of specific procurement notice / Invitation to Quote	Contract Signature / Purchase Order	Completion of contract		
	Part 1 - ESTABLISHMENT OF ECERA									
	Sub-component 1 - Launch of ECERA Project									
G1	Furniture for PMU	16,000	6,394	Shopping	Post	Dec-12	1/1/2013	2/1/2013	Completed	Contract awarded to Renwick and Company Limited. Contract ref # ECERA:SH-G-12-001, 05.02.13. US$5559.65 was paid out of project funds, while US$833.95 represented VAT and was paid by the OECS Secretariat.
G2	Equipment for PMU	20,000	28,943	Shopping	Post	Dec-12	1/1/2013	2/1/2013	Completed	Contract awarded to B&B Money Saver Inc. Contract ref# ECERA:SH-G-12-002, 05.02.13. US$25,168 was paid out of project funds while US$ 3775.20 represented VAT and was paid by the OECS Secretariat.
G3	Photocopier for PMU	10,000	10,475	Shopping	Post	May-13	6/1/2013	7/1/2013	Completed	Contract awarded to General Business & Technical Services Ltd. Contract ref# ECERA:SH-G-13-001. An amount of approximately US $9,108 will be paid from project funds and approximately an equivalent amount of US $1,366.25 representing VAT will be paid by th
G4	Promotional Material for the Launch of ECERA Project	5,000	11,368	Shopping	Post	Oct-13	10/1/2013	11/1/2013	Completed	The Bank's 'no objection' to the draft Contract between the OECS and ACCELA Marketing was not received in time for the Consultant's to produce the first set of deliverables.
G5	Mementos for Launch of ECERA Project	5,000	12,820	Shopping	Post	Oct-13	10/1/2013	11/1/2013	Completed	
	Sub Total - Goods	**36,000**	**69,999**							
C1	Project Manager - PMU	125,000	131,954	IC	Post	Feb-12	11/1/2012	6/30/2016	Awarded	Project Manager commenced duty on November 5, 2012. All contracts for IC over US $50,000 are subject to prior review by the Team Task Leader (TTL) - SEE Table 5 of the draft Operational Manual. Contract ends November 4, 2014. The Project Manager's contrac
C2	Project Accountant - PMU	80,000	93,297	IC	Post	Feb-12	1/1/2013	6/30/2016	**Completed March 2016**	Candidate identified and commenced duty on January 03, 2013. Contract ends December 31, 2014 - to be extended to December 2015. To be further extended to June 2016. Resigned in March 2016. OECS Commission core staff providing relevant support.
C3	Procurement Specialist - PMU	80,000	71,414	IC	Post	Feb-12	1/1/2013	12/1/2014	Suspended	Candidate identified and commenced duty on January 03, 2013. Candidate resigned with effect from June 13, 2013. This position was advertised with a closing date of July 19, 2013. Five applications were received. Three applicants were shortlisted for inter
C4	Administrative Assistant - PMU	31,200	37,441	IC	Post	Mar-12	1/1/2013	6/30/2016	**Completed March 2016**	Candidate identified and commenced duty of January 03, 2013. Contract ends December 31, 2014 - to be extended to December 2015. Replacement hired in October 2015. Contract to be extended to June 2016. Resigned March 2016.
	Sub Total - PMU Staff	**316,200**	**334,106**							
C5	Chief Executive Officer - ECERA	300,000		IC	Post	Mar-16	1/1/2017	12/31/2018	In Process	Final Shortlist prepared in November 2016 following re-advertisement in October 2016.
C6	Engineers	256,000		IC	Post	Jun-15	9/1/2015	10/1/2017	Suspended	The positions to be filled within ECERA are to be determined based on an assessment of the staff requirements and development of an organisational chart and Business Plan under the 'Operational and Governance Framework Consultancy'.
C7	Lawyer	188,000		IC	Post	Jun-15	9/1/2015	10/1/2017	Suspended	
C8	Energy Economist	128,000		IC	Post	Jun-15	9/1/2015	10/1/2017	Suspended	
C9	Financial Management Specialist - ECERA	105,000		IC	Post	Jun-15	9/1/2015	10/1/2017	Suspended	
C10	Administrative Staff - ECERA	159,000		IC	Post	Jun-15	9/1/2015	10/1/2017	Suspended	
C11	National Regulatory Officers	108,000		IC	Post	Jun-15	9/1/2015	10/1/2017	Suspended	

	Sub-component 2 - Design Self Financing and Tariff Setting Mechanisms for ECERA									
C12	Design Self Financing Mechanism and Develop Power Pricing Strategy for ECERA	280,000	558,290	QCBS	Prior	Feb-13	4/29/2014	11/30/2014	**Completed**	Contract negotiations with the Consultant Castalia were completed in January 2014. The World Bank granted its 'no objection' to the Contract in February 2014. The execution of the contract was put on hold by the REC in March 2014. The Contract between the
	Sub Total - Sub-component 2	**280,000**	**558,290**							
	Sub-component 3 - Establish the Legal Basis for ECERA									
C13	Delineate options and parameters for ECERA Treaty (including regulatory mechanism, structure, jurisdiction and scope) and draft treaty.	422,000	160,000	QCBS	Prior	Feb-13	1/15/2014	10/15/2014	**Terminated in August 2014**	The Contract between the OECS and the Consultant Kema Inc. became effective on January 15, 2014. The Consultant has since submitted the Inception Report and conducted the initial consultations. The Options / interim Report was presented in May 2014 and pr
C14	Review Participating Countries Electricity Supply Acts and make modifications thereto or draft new laws where relevant.									
C20	Develop Primary Electricity Sector Laws for Grenada	108,800	115,800	IC	Post	Not Applicable	10/1/2014	8/31/2015	**Completed**	Individual Consultant Janis Brennan was contracted for this assignment in October 2014.
C21	Develop Secondary Electricity Sector Laws for Grenada	100,000	60,292	IC	Post	Not Applicable	6/25/2015	5/20/2016	**Ended May 2016 in dispute.**	Individual Consultant Barbara Vargas has contracted for this assignment. Consultant contract was incomplete at the time of contract expiration. Consultant was unable to fulfill her contractual obligations and failed to perform remedial work to her outputs
C22	Develop Primary and Secondary Electricity Sector Laws for Saint Lucia	72,800	72,800	IC	Post	Not Applicable	10/4/2014	6/8/2016	**Completed**	Individual Consultant Karen Stephen Dalton has been contracted for this assignment. Completed in June 2016.
C23	Develop ECERA Treaty	50,000	48,000	IC	Post	Not Applicable	6/1/2015	8/1/2015	**Completed**	Individual Consultant Janis Brennan was contracted for this assignment. Completed September 2015.
C24	Tariff Specialist	50,000	36,000	IC	Post	Not Applicable	9/1/2015	12/1/2015	**Completed**	Individual Consultant Cedric Wilson has been contracted. Completed May 2016.
C25	Review of Laws Expert	70,000	30,000	IC	Post	Dec-15	5/9/2016	10/31/2016	**Completed**	Awarded to Miriam Oriolo. Completed October 2016.
C32	Modifications to Grenada's Laws	10,500	10,500	IC / SSS	Post	Not Applicable	11/4/2016	12/9/2016	**In Process**	Involve modifications to certain legislative instruments for Grenada following Review of draft laws.
C29	Develop ECERA Agreement and Incorporation Documents	10,000	3,497	IC	Post	Not Applicable	4/20/2016	10/31/2016	**Ended**	Awarded to Deale Lee. Consultant performed satisfactorily but protracted delays necessitated the premature end of this consultancy in November 2016.
	Sub Total - Sub-component 3	**873,600**	**536,889**							