IICEG
Island Institute for Competitiveness and Effective Governance
Instituto Isleño de Competitividad y Eficiencia Gubernamental

PUBLIC EXPLAINER · ENERGY · ROATÁN

How Roatán's Electricity System Works

Tariffs, Grid Access & the Path to Lower Bills

November 2026 · Figures as of 26 November 2026 · Sources: CREE, La Gaceta, SEN

Roatán households that use more than 150 kWh a month pay 38–42% more than the mainland tariff schedule. One private operator generates, transports and sells all the island's grid electricity, and its costs reach customers through a regulated cost-plus formula. This explainer shows how the system works, where the rules raise costs, and which changes would let competition lower bills.

L8.9515
PER KWH
Roatán residential above 150 kWh, charged on every kWh
CREE-74-2026 · 1 Sep–30 Nov 2026

L6.5102
PER KWH
Mainland residential above 50 kWh
CREE-88-2026 · from 1 Oct 2026

38–42%
HIGHER
Roatán household bills at 200–1,000 kWh vs. the mainland schedule
Fixed + energy charges, pre-tax

1 of 9
CRITERIA
International best-practice criteria met: only an independent regulator
IICEG Public Edition 1.2

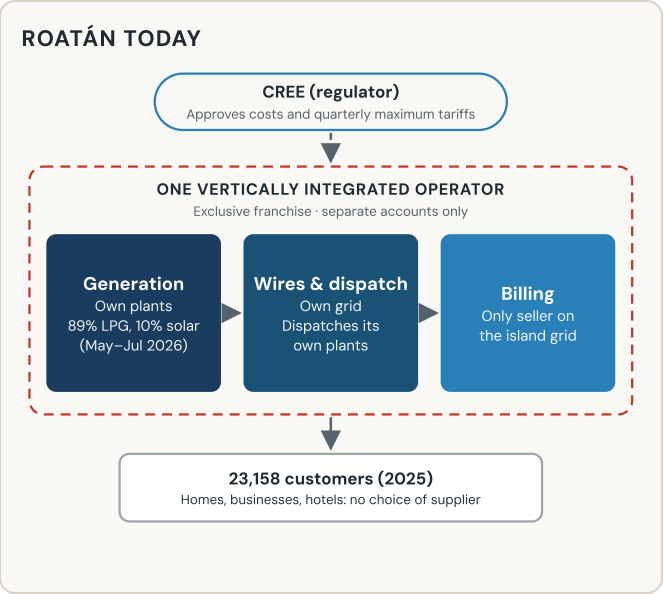
81.53%
FUEL-INDEXED
Share of the quarterly energy-charge adjustment tied to fuel purchase prices
CREE-04-2026

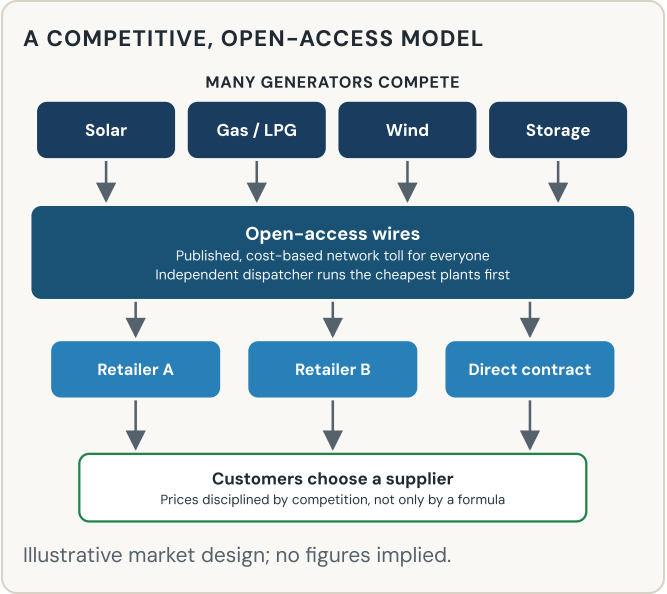
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1 Who does what on Roatán's grid

Electricity has three layers: generation, the wires that carry it, and the retail sale. On Roatán and José Santos Guardiola, one private operator holds all three under an exclusive franchise. The law lets distributors in isolated systems own their power plants and asks only that they keep separate accounts for generation and distribution. The operator therefore buys power from itself, runs the only grid, and is the only seller.





Illustrative market design; no figures implied.

THE SYSTEM IN NUMBERS

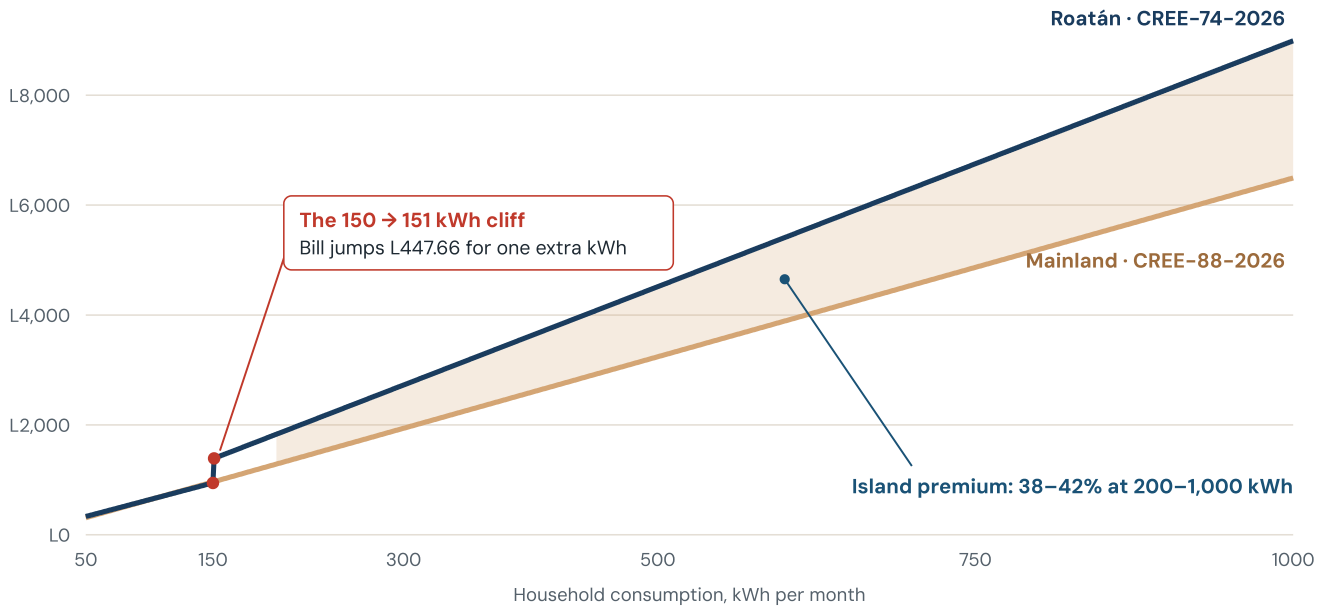
Item	Figure	Source
Installed capacity (end-2025)	73.35 MW: LPG 53, diesel 4, wind 4, solar 12.4	SEN, IEASEN 2025
Peak demand	26.35 MW (June 2025)	SEN, IEASEN 2025
Generation, 2025	162.52 GWh	SEN, IEASEN 2025
Customers, 2025	23,158	SEN, IEASEN 2025
Generation mix, May–Jul 2026	89.31% LPG · 10.08% solar · 0.58% wind · 0.03% diesel	CREE third-adjustment report
Regulator	CREE: 5-year cost of service (2025–2029) plus quarterly adjustments	CREE-150-2025; CREE-04-2026
Dispatch	No independent system operator on the island; the operator dispatches its own plants	CREE acts; Decreto 198-2026

2 How regulated tariffs reach your bill

CEILINGS, NOT FLOORS

CREE's approved tariffs are maximums. The electricity law, restated word for word in Acuerdo CREE-74-2026, says the published values *"serán valores máximos"*: the operator may charge less, provided it treats every customer in the same class equally. There is no minimum price. CREE's adjustment formula calls each component a *"Cargo Máximo Autorizado"* (CREE-04-2026), and a tariff may be applied only once published in La Gaceta.

MONTHLY RESIDENTIAL BILL, ROATÁN VS. MAINLAND SCHEDULE (LEMPIRAS)



Fixed plus energy charges from each published schedule; pre-tax, before subsidies, excluding public lighting and municipal fees. Mainland homes at 150 kWh or less currently pay L0 under a 100% subsidy to 31 Dec 2026 (Executive Decrees 029-2026 and 030-2026); Roatán has no equivalent.

BILLS AT SEVEN CONSUMPTION LEVELS

kWh per month	Roatán (L)	Mainland schedule (L)	Island premium	Difference
100	L637.96	L635.40	+0.4%	+L2.55
150	L943.47	L960.91	-1.8%	-L17.44
151	L1,391.13	L967.43	+43.8%	+L423.70
200	L1,829.75	L1,286.43	+42.2%	+L543.33
300	L2,724.90	L1,937.44	+40.6%	+L787.46
500	L4,515.20	L3,239.49	+39.4%	+L1,275.72
1,000	L8,990.95	L6,494.59	+38.4%	+L2,496.37

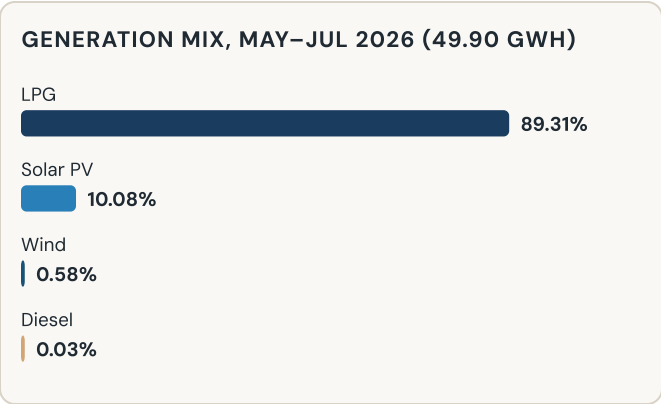
Why the cliff: Roatán's schedule has two all-or-nothing blocks. At 150 kWh or less every kWh costs L6.1103 with a L26.93 fixed charge; at 151 kWh every kWh, including the first 150, costs L8.9515 and the fixed charge rises to L39.45. The mainland charges L5.0031 on the first 50 kWh and L6.5102 only on the kWh above that.

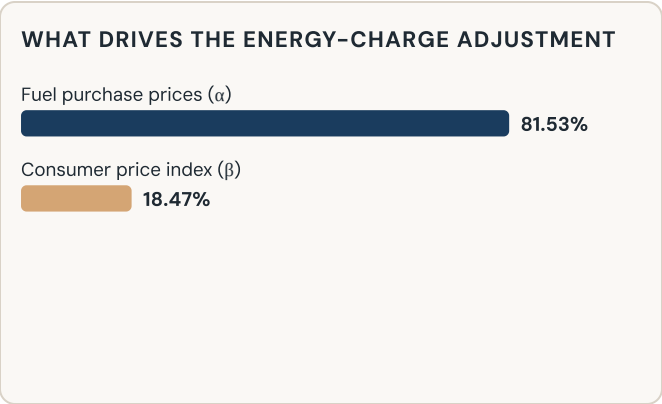
How the quarterly adjustment works

$$CM_E(t) = CM_E(t-1) \times [\ \alpha\ (1 + \Delta Fuel) + \beta\ (1 + \Delta CPI)\ ]$$

α = 81.53% (fuel) · β = 18.47% (consumer prices) · Acuerdo CREE-04-2026, La Gaceta 37,068, 12 Feb 2026

Every quarter the energy charge is re-indexed. 81.53% of the adjustment follows the change in the operator's documented fuel purchase prices, and 18.47% follows the consumer price index. Capacity, distribution, loss and commercial charges move with inflation only. The operator files its fuel invoices by the 15th of the month before each quarter, and CREE approves the new schedule before the quarter begins. Quarters run Mar–May, Jun–Aug, Sep–Nov and Dec–Feb.





THE SEP–NOV 2026 ADJUSTMENT, STEP BY STEP

Step	Value	Change
Weighted LPG purchase price	L31.34 per gallon	+4.54%
Fuel cost per kWh generated	L2.9622	+7.64%
Average tariff, all customer classes	Sep–Nov 2026 schedule	+3.28%

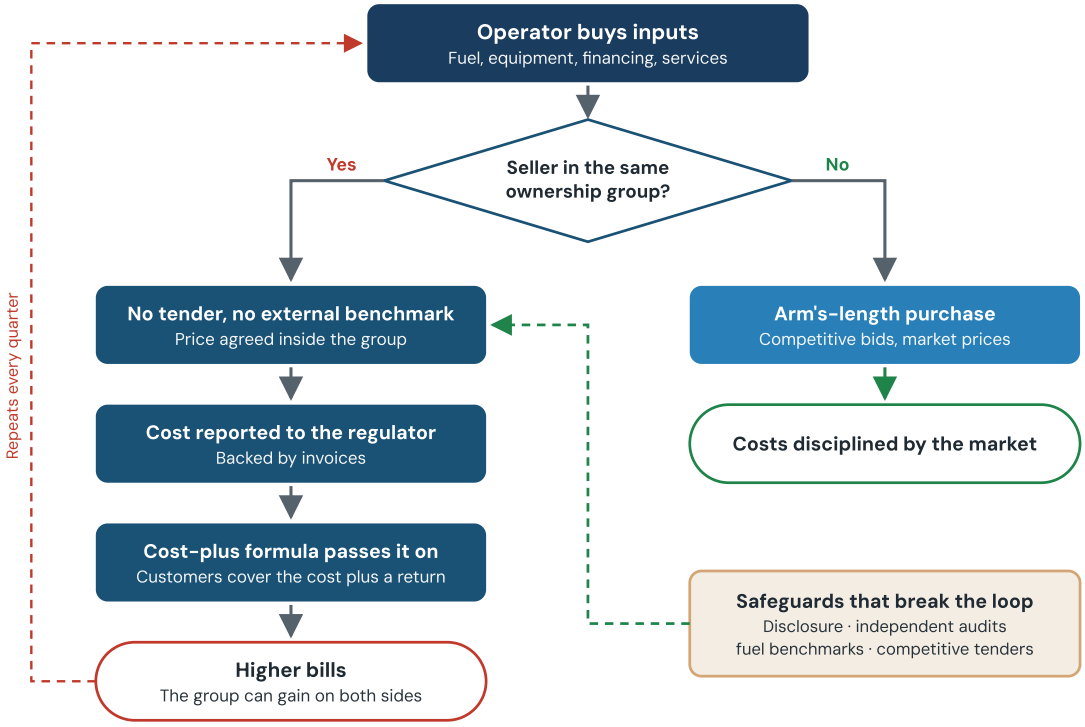
Fuel enters the tariff at the operator's own purchase prices, checked against invoices. There is no external fuel-price benchmark and no competitive-procurement test. That is the core of a cost-plus system: the regulator confirms costs rather than disciplining them.

Source: CREE, third tariff adjustment report for Roatán and José Santos Guardiola, approved in Acuerdo CREE-74-2026 (La Gaceta 37,235, 1 Sep 2026).

3 Why cost-plus monopolies tend to raise costs

Under cost-plus regulation, each extra lempira of cost becomes an extra lempira of revenue plus a return, so an operator without competitors has little reason to buy cheaply. When the same owners also control the companies that sell fuel, equipment, plants or loans to the regulated monopoly, those purchases are related-party transactions. A price set inside the group can flow into the tariff unless the regulator can test it against an independent benchmark.

THE STRUCTURAL INCENTIVE LOOP (GENERAL ECONOMIC THEORY)



FOUR CHANNELS, IN THEORY

- **Generation.** Power bought from affiliated plants enters the tariff with no competitive pressure.
- **Financing.** Interest on loans from the controlling shareholder above market rates becomes a recoverable cost.
- **Capital.** Equipment bought above market prices is recovered over the asset's life.
- **Fuel.** With 81.53% of the energy adjustment tied to purchase prices, fuel is the largest channel.

WHAT THE RULES DO, AND DON'T

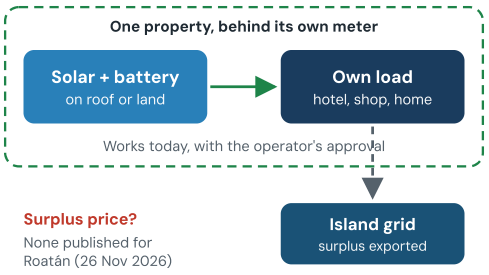
For generation contracts not awarded by public tender, the law lets CREE substitute standard costs by technology and plant age. CREE's first full cost review (CREE-150-2025) approved a lower cost base; press reports put the average tariff cut at L10.07 to an estimated L7.35/kWh (Dinero HN, 12 Dec 2025). Still missing: no rule requires private island operators to disclose related-party transactions, prices and ultimate beneficiaries, and the quarterly fuel term has no external benchmark.

IICEG EDITORIAL POSITION

This section describes incentives that exist in theory in any vertically integrated monopoly under cost-plus regulation with concentrated ownership. We do not make specific allegations of illegal conduct. The publicly available facts create a picture of obvious structural incentives that can only be countered by transparency and competition.

4 Can a solar plant sell to a hotel across the island?

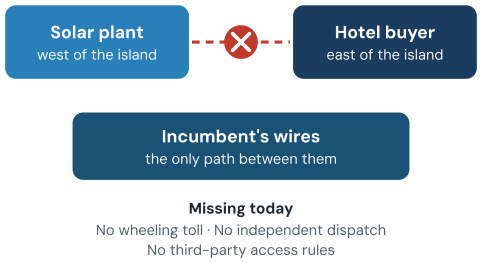
Short answer: not in practice today. A business can generate solar power for its own use on its own property. An independent solar plant cannot yet sell to a buyer elsewhere on Roatán, because nothing published sets how a third party may use the incumbent's wires, at what price, or who dispatches the power.



A Self-generation behind the meter

ALLOWED TODAY · OWN USE ONLY

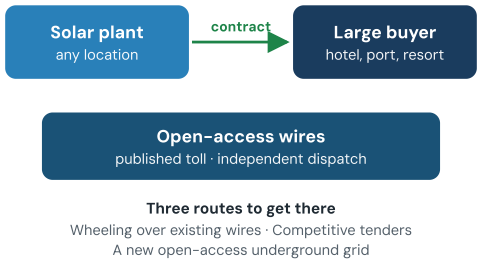
- CREE's self-producer standard covers renewable generation and storage inside a customer's own premises; connection needs the distributor's authorization.
- Mainland surplus earns L2.5005/kWh at low voltage. IICEG found no published export price for Roatán as of 26 Nov 2026, so the 2026 solar tax exemption does little for island rooftops.



B Selling across the existing wires today

BLOCKED IN PRACTICE

- The only wires between seller and buyer belong to the incumbent, which also sells power.
- No published wheeling toll, no independent dispatcher, and no third-party access rules for the island system. The mainland's 400 kW large-consumer rules rely on a market that does not exist on Roatán.



C Direct solar-to-buyer sales under open access

REQUIRES POLICY CHANGE

- Wheeling: a CREE-published, cost-based toll lets any generator sell over existing wires.
- Competitive tenders for island supply, or a new open-access underground grid where generators and retailers compete, each with independent dispatch.

GRID ACCESS, MAINLAND VS. ROATÁN

Question	Mainland grid (after Decreto 198-2026)	Roatán grid today
Who manages the grid?	New independent system and market operator (OSM), merit-order dispatch	The incumbent dispatches its own plants
Who may connect?	Generators, storage, retailers and qualified consumers under CREE rules	Customers and self-producers, with the operator's approval
Price for using the wires	Network-use contract; CREE-set network tariffs	None published for third parties
Can large buyers choose?	Yes, at 400 kW and above (CREE-97-2026)	No
Export price for surplus solar	L2.5005/kWh low voltage (CREE-set)	None published (26 Nov 2026)

5 The 1-of-9 scorecard and what the 2026 reform left out

1/9 Roatán's current model meets one of nine international best-practice criteria. It fails on every structural dimension.

IICEG, Roatán Electricity Sector, Public Edition 1.2, Section 4.

✕ FAIL · 1
Vertical separation
One integrated company runs generation and distribution

✕ FAIL · 2
Generation competition
Exclusive concession; only some hotels self-generate

✕ FAIL · 3
Open grid access
Blocked in practice: no published access rules or toll

✕ FAIL · 4
Competitive retail
None; one seller

✕ FAIL · 5
Grid resilience
Overhead, radial, no redundancy

✕ FAIL · 6
Source diversification
Dominated by imported propane

✕ FAIL · 7
Market price signals
Cost-plus regulated tariff, no market

✕ FAIL · 8
Related-party transparency
No disclosure requirement

✓ PASS · 9
Independent regulator
CREE regulates tariffs quarterly

MAINLAND REFORM VS. ROATÁN REALITY

Area	Mainland under Decreto 198-2026	Roatán today
Tariff freeze	ENEE tariffs frozen 6 months from 29 Sep 2026, extendable by 6	Not covered; tariff rose 3.28% on 1 Sep 2026
Buying power	Mandatory public tenders; direct contracting banned	No tender requirement; operator supplies itself
Grid operator	New independent OSM	None
Unbundling	ENEE split into generation, transmission and distribution companies	One integrated company
Large consumers	May buy from retailers at 400 kW and above	No market to buy from
Transparency	Annual external audits for ENEE subsidiaries	No related-party disclosure rule
Household subsidy	100% for 150 kWh or less, to 31 Dec 2026	None confirmed
Island relief	Utila: up to L11 million tariff subsidy (Decreto 250-2026)	No Roatán-specific measure found
Isolated systems	—	One transitory article (17.F) asks CREE to define a regime; no deadline, competition mandate or price target

Across its 88 pages in La Gaceta No. 37,258 (29 Sep 2026), Decreto 198-2026 never names Roatán, Utila or the Bay Islands.

6 Policy changes that would lower bills

Each change below works through a specific economic mechanism: it either exposes costs to competition, ties allowed costs to an external benchmark, or removes a pricing rule that charges households more than the cost of serving them.

1 Competitive generation tenders

Who acts: Congress, CREE

WHAT CHANGES Independent plants bid to supply the island system

HOW IT LOWERS BILLS Prices revealed by competition replace self-supply at reported cost

2 Open-access wheeling

Who acts: CREE

WHAT CHANGES Published cost-based toll and independent dispatch on existing wires

HOW IT LOWERS BILLS Cheaper solar reaches large buyers; the incumbent faces a rival price

3 Fair solar export tariff

Who acts: CREE

WHAT CHANGES CREE-set avoided-cost price for surplus solar and storage

HOW IT LOWERS BILLS Makes on-site solar bankable and displaces LPG at the margin

4 Price caps with fuel benchmarks

Who acts: CREE

WHAT CHANGES Allowed fuel cost tied to an external import-parity index, with efficiency targets

HOW IT LOWERS BILLS Operator keeps savings and bears overruns, ending pure pass-through

5 Related-party disclosure and audits

Who acts: CREE, Congress

WHAT CHANGES Every affiliate transaction published with price, terms and beneficial owner; independent audit

HOW IT LOWERS BILLS Inflated internal costs cannot enter the tariff unseen

6 Fuel-supply competition

Who acts: SEN, Congress

WHAT CHANGES Open access to LPG import and storage

HOW IT LOWERS BILLS Lowers the input behind 81.53% of the energy adjustment

7 End the 150 kWh cliff

Who acts: CREE

WHAT CHANGES Lower rate on the first 150 kWh for every home, as the mainland's blocks work

HOW IT LOWERS BILLS Removes the L447.66 jump at 151 kWh

8 Equal treatment on relief

Who acts: Congress, SEN

WHAT CHANGES Budget-funded support on the same terms as the mainland

HOW IT LOWERS BILLS Closes the gap in freezes and subsidies

9 Open-access underground grid

Who acts: Private investors, CREE

WHAT CHANGES New hurricane-resistant network open to any generator and retailer

HOW IT LOWERS BILLS Direct competition plus a public price benchmark for the whole island

LEGAL VIABILITY

The IICEG has conducted a detailed legal analysis and concludes that competitive alternatives are viable under multiple pathways. The full analysis is available on request to qualified interested parties. The Constitution of Honduras prohibits monopolies (Art. 339) and protects free enterprise (Art. 331).

Methodology, sources and dates

- Bills combine the fixed and energy charges in each published schedule: pre-tax, before subsidies, excluding public lighting and municipal fees. Bill figures and the 150→151 kWh jump are IICEG calculations from the official schedules.
- Roatán figures use CREE-74-2026, valid 1 Sep–30 Nov 2026. The next quarterly schedule (Dec 2026–Feb 2027) is due about 30 Nov 2026; this explainer will be updated, with a dated note, when it is published.
- Earlier IICEG figures (L8.318/kWh, a 43% premium, about 79–80 MW installed) are superseded by the sources below.
- Every figure was read from the official document listed. Nothing here estimates savings. Corrections are published openly with a date.

Source	What it supports	Date / publication	Where
Acuerdo CREE-74-2026	Roatán tariff schedule, valid 1 Sep–30 Nov 2026	La Gaceta 37,235 · 1 Sep 2026	cree.gob.hn
CREE third-adjustment report (Roatán)	Generation mix, fuel prices, +3.28% average	Approved with CREE-74-2026	cree.gob.hn
Acuerdo CREE-88-2026	ENEE mainland tariff schedule, Q4 2026	La Gaceta 37,260 · 1 Oct 2026	cree.gob.hn
Acuerdo CREE-04-2026	Roatán quarterly adjustment formula (α 81.53%, β 18.47%)	La Gaceta 37,068 · 12 Feb 2026	cree.gob.hn
Acuerdo CREE-150-2025	Roatán cost of service and tariff structure, 2025–2029	La Gaceta 37,005 · 28 Nov 2025	cree.gob.hn
Decreto Legislativo 198-2026	Ley de Justicia Energética	La Gaceta 37,258 · 29 Sep 2026	tsc.gob.hn
LGIE, Decreto 404-2013	CREE consolidated text, including tariff rules	Consolidated through Decreto 198-2026	cree.gob.hn
SEN, IEASEN 2025	Isolated-systems capacity, demand, customers	Published Sep 2026 · data to end-2025	sen.hn
CREE self-producer standard (NTUAP)	Rules for on-site generation and storage	Compiled 13 Apr 2026	cree.gob.hn
CREE self-producer export tariffs	ENEE excess-energy price L2.5005/kWh (low voltage)	As of 26 Nov 2026	cree.gob.hn
Acuerdo CREE-97-2026	400 kW qualified-consumer threshold	La Gaceta · 2 Nov 2026	leyes.hn
Decreto 250-2026	Up to L11 million Utila tariff subsidy	La Gaceta 37,271 · 16 Oct 2026	leyes.hn
Executive Decrees 029-2026 and 030-2026	Mainland 100% subsidy at 150 kWh or less, to 31 Dec 2026	Reported by DNH · 14 Oct 2026	dnh.gob.hn
Dinero HN	Press report on Roatán tariff reduction	12 Dec 2025	dinero.hn
IICEG, Roatán Electricity Sector, Public Edition 1.2	Best-practice scorecard (1 of 9)	Apr 2026, revised Nov 2026	IICEG

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