

SULTANATE OF OMAN



هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN

POWER AND WATER PROCUREMENT LICENCE

GRANTED TO

Oman Power and Water Procurement Company S.A.O.C

GRANTED ON: 1ST MAY 2005
MODIFIED ON: 1ST JAN 2014

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PART I: THE LICENCE

1. Grant of Licence

The Authority for Electricity Regulation, Oman (hereinafter referred to as "the Authority"), in exercise of the powers conferred by Article (2) of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (hereinafter referred to as the "Sector Law") promulgated by Royal Decree 78/2004 as amended by Royal Decree 59/2009 and Royal Decree 47/2013, hereby grants to the **Oman Power and Water Procurement Company SAOC** (hereinafter referred to as the "Licensee") a licence (hereinafter referred to as the "Licence") to carry out the activities referred to in paragraph 4 below (hereinafter referred to as the "Licensed Activities").

2. Conditions of Licence

This Licence is granted on the conditions set out in Part II (hereinafter referred to as the "Conditions") for the period referred to in paragraph 3 below and for the purposes of enabling the Licensee to carry out the Licensed Activities.

This Licence is subject to:

- (a) modification in accordance with Article (109) of the Sector Law and in accordance with its terms; and
- (b) revocation in accordance with Condition 26.

3. Licence term

This Licence shall come into force on **1 May 2005** and, unless terminated in accordance with the provisions of Condition 26, shall continue in full force and effect until determined by not less than 10 years' notice in writing given by the Authority to the Licensee, such notice not to be served earlier than the 25th anniversary of **1 May 2005**.

4. Licensed Activities

This Licence authorises the Licensee:

- (a) to secure New Capacity and Output to enable it to comply with its duties under the Sector Law and this Licence;
- (b) to contract for Production Capacity and Output to enable it to comply with its obligations under the Sector Law and this Licence;
- (c) to purchase and procure water Desalination Production Capacity and Output in accordance with Articles (74) to (81) of the Sector Law and this Licence;
- (d) to forecast demand for electricity within the Sultanate of Oman in accordance with the Sector Law and this Licence;
- (e) to the extent that it is permitted to do so by the Sector Law and this Licence, to Import electricity;

- (f) to the extent that it is permitted to do so by the Sector Law and this Licence, to Export electricity;
- (g) to Bulk Supply electricity to Licensed Suppliers and to charge a Bulk Supply Tariff for such Bulk Supply;
- (h) to Bulk Supply Desalinated water from Production Facilities which are subject to a contract with it to Water Departments and to charge a Bulk Supply Tariff for such Bulk Supply;
- (i) to sell demineralised water to Persons other than Water Departments;
- (j) to procure Ancillary Services as required by the Sector Law and this Licence;
- (k) to purchase and procure supplies of Fuel for delivery to Licence Holders; and
- (l) to carry out any other function assigned to it by the Sector Law.

5. Governing language

The governing language of this Licence shall be the English language.

6. Definitions

The following words and expressions used in this Licence shall have the following meanings:

"Affiliate"

in relation to the Licensee means any Person which Controls (directly or indirectly) the Licensee and any other Person Controlled (directly or indirectly) by such first mentioned Person, including, where the Licensee is a Company, the ultimate holding Company of the Licensee and any holding Company of the Licensee and any subsidiary of such holding Company;

"Agency Contract"

means a contract between a Licensed Supplier and an Autogenerator, entered into in accordance with the provisions of the Sector Law and Condition 3 of this Licence for the purchase by the Licensee of Output;

"Ancillary Services"	means services which (1) Licensed Generators, Licensed Generators/Desalinators or other Persons whose Premises are Connected to a Transmission System or a Distribution System may be required to provide from time to time in connection with the security and stability of such Transmission System, or the Total System; and (2) are provided for in either (i) an agreement between a Licensed Transmission System Operator or a Licensed Distribution System Operator and any Person or (ii) an agreement between a Licensed Generator or a Licensed Generator/Desalinator and the Licensee;
"Appropriate Persons"	means a Person who is determined by the Authority to be technically, financially and otherwise qualified and/or suitable to be a Licence Holder or an Exemption Holder;
"Authorised Area"	means the geographical area within which a Licensed Transmission System Operator, a Licensed Distribution System Operator, a Licensed Supplier or the Rural Areas Electricity Company SAOC is authorised, from time to time, by virtue of its Licence, to undertake Regulated Activities;
"Autogenerator"	means a Person who generates electricity primarily for the purposes of Self Supply;
"Bulk Supply"	means the bulk supply of electricity to any Licensed Supplier, or desalinated water to the Water Department, or the bulk supply of demineralised water to other Persons;
"Bulk Supply Tariff"	means the tariff charged by the Licensee for (1) the Bulk Supply of electricity, or (2) the Bulk Supply of Desalinated water, which tariff shall, in each case, be calculated as prescribed in Condition 21 and the Sector Law;
"Company"	has the meaning given to it in the Commercial Companies Law, No. 4/74, as amended, and Companies shall be construed accordingly;
"Competent Authority"	means any unit of the state apparatus and all considered as such and the branches and divisions related thereto and which have been assigned with jurisdiction pursuant to the Sector Law in relation to any matter which is the subject of this Licence;

"Condition"	has the meaning given to it in paragraph 2 of Part I;
"Connected"	means, in relation to any Premises or System, that there is a physical connection between those Premises or that System and a Transmission System or a Distribution System other than a Distribution System or a Transmission System owned or operated by the Rural Areas Electricity Company SAOC and Connect and Connection shall be construed accordingly;
"Connection Agreement"	means an agreement between any Person and a Licensed Transmission System Operator and/or a Licensed Distribution System Operator for the Connection of that Person's System or Premises;
"Customer"	means a Person who is Supplied with electricity at Premises for consumption at those Premises;
"Controls"	<p>means, in respect of a Person by another, that the other Person (whether alone or with others and whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise):</p> <ul style="list-style-type: none"> (a) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that Person or of any other Person which controls that Person; or (b) controls or has the power to control the affairs and policies of that Person or of any other Person which controls that Person; or (c) is the parent undertaking of that Person or is the parent undertaking of any other Person which controls that Person; or (d) possesses or is, or will be at a future date, entitled to acquire: <ul style="list-style-type: none"> (i) twenty per cent (20%) or more of the share capital or issued share capital of, or of the voting power in, that Person or any other Person which controls that Person; or

- (ii) such part of the issued share capital of that Person or any other Person which controls that Person as would, if the whole of the income of such Person were in fact distributed, entitle him to receive twenty per cent (20%) or more of the amount so distributed; or
- (iii) such rights as would, in the event of the winding-up of that Person or any other Person which controls that Person or in any other circumstances, entitle him to receive twenty per cent (20%) or more of the assets of such Person which would then be available for distribution,

and, for those purposes, there shall be attributed to any Person the rights or powers of any nominee or associate of his and the rights and powers of any one or more Persons which he, or he and any nominee or associate of his, controls

and **Control** and **Controlled** shall be construed accordingly;

"Desalination" means the production of demineralised and/or potable water by desalination and **Desalinate** and **Desalinated** shall be construed accordingly;

"Desalination Facility of a Special Nature" has the meaning assigned to it in the Sector Law as amended by Royal Decree No. 47/2013;

"Dispatch" means the general process by which instructions are determined and the issuing of those instructions to (1) Licensed Generators and/or Licensed Generator/Desalinators as to the operation or cessation of operation of their Production Facilities and (2) other Persons whose facilities are Connected;

"Distribution" means, in relation to electricity, the transport of electricity by means of a Distribution System and **Distribute** shall be construed accordingly;

"Distribution Code"	means the code which each Licensed Distribution System Operator shall be required to prepare and maintain pursuant to the terms of its Distribution Licence, which code shall be subject to the approval of the Authority, shall prescribe standard technical rules to be observed for the Connection to, use and operation of that Licensed Distribution System Operator's System, and rules for the maintenance and development of that System;
"Distribution Licence"	means a Licence to Distribute electricity;
"Distribution System"	means Electrical Lines and apparatus of less than 132KV used for the transport of electricity to Premises and which are not part of a Transmission System;
"Economic Purchase"	means the purchase on the best economic terms reasonably obtainable, having regard to quality, quantity, the nature of the things to be purchased, the available manner of delivery and the future security, reliability and diversity of supply of the things to be purchased;
"Electricity Holding Company SAOC"	means the Company of that name referred to in Article (63) of the Sector Law;
"Electric Line"	<p>means any line, whether underground or overground, which is used to transport or Distribute electricity for any purpose and includes, unless the context otherwise requires:</p> <ul style="list-style-type: none"> (a) Any support for any such line, including any structure, pole, pylon or other thing in, on, by or from which any such line is supported, carried or suspended; (b) Any apparatus connected to any such line for the purpose of carrying or Distributing electricity; (c) Any wire, cable, tube, pipe or other similar thing (including its casing, insulator or coating) which surrounds or supports any such line, or is surrounded or supported by, carried or suspended, in association with, any such line.

"Electric Plant"	means any installations, equipment or appliances used for the Generation, Transmission, Dispatch, Distribution or Supply of electricity, or for purposes connected with the above, other than a meter used for identifying the quantity of electricity Supplied to Premises, or any electrical appliance under the control of a Customer;
"Exemption"	means an exemption granted pursuant to Article (5) of the Sector Law for the purposes of exempting a Person from the requirement to hold a Licence in relation to a Regulated Activity or from the requirement to comply with a particular condition or conditions of a Licence and "Exempt" , "Exempted" and "Exemption Holder" shall be construed accordingly;
"Exported"	means, in relation to electricity, electricity which is Generated in the Sultanate of Oman and which is transported from the Sultanate of Oman pursuant to a contract or other arrangement and Export shall be construed accordingly;
"Fuel"	means natural gas, diesel and any other fuels used in the electricity and Related Water sector in the Sultanate of Oman;
"Generation"	means the production of electricity by any means and Generate and Generated shall be construed accordingly;
"Generation and Desalination Licence"	means an authorization to undertake the activity of electricity Generation combined or co-located with the Desalination of water at the same location;
"Generation Licence"	means a Licence to Generate electricity and to operate Production Facilities;
"Generation Security Planning Standard"	means the standard or standards which shall be established as provided in Condition 22 and which the Licensee will be required to maintain and/or develop and implement in relation to the securing of sufficient Production Capacity and Output to meet demand in the Sultanate of Oman;

"Generator"	means a Person authorised by a Licence or an Exemption issued pursuant to the Sector Law to Generate electricity;
"Generator/Desalinator"	means a Person authorised by a Licence or an Exemption issued pursuant to the Sector Law to Generate electricity and Desalinate water;
"Government"	means the Government of the Sultanate of Oman;
"Grid Code"	means the code which each Licensed Transmission System Operator shall be required to prepare and maintain pursuant to the terms of its Transmission Licence in respect of its Transmission System, which code shall be subject to the approval of the Authority, shall prescribe standard technical rules to be adhered to for the Connection to, use and operation of the Licensed Operator's System and for Dispatch, and rules for the maintenance and development of that Transmission System and certain associated matters in relation to the Total System;
"Imported"	means, in relation to electricity, electricity which is Generated outside the Sultanate of Oman and which is transported into the Sultanate of Oman pursuant to a contract or other arrangement and Import shall be construed accordingly;
"Interconnector"	means facilities which Connects two Systems;
"International Interconnector"	means an Interconnector which Connects a System which exists within the Sultanate of Oman with a System which exists outside the Sultanate of Oman and International Interconnection shall be construed accordingly;
"Licence"	means an authorisation to undertake a Regulated Activity issued by the Authority pursuant to the Sector Law and shall, unless the context otherwise requires, include this Licence;
"Licence Holder"	means a Person who is the holder of a Licence and shall, where the context permits, include the Licensee;
"Licensed Activities"	has the meaning given to it in paragraph 1 of Part I;

"Licensed Distribution System Operator"	means a Person who is the holder of a Distribution Licence;
"Licensed Generator"	means a Person who is the holder of a Generation Licence;
"Licensed Generator/Desalinator"	means a Person who is the holder of a Generation and Desalination Licence;
"Licensed Supplier"	means a Person who is the holder of a Supply Licence;
"Licensed Transmission System Operator"	means Transco and each other Person who is the holder of a Transmission Licence;
"Licensee"	has the meaning given to it in paragraph 1 of Part I;
"Merit Order"	means an order for ranking available Production Facilities which order: (1) shall have as its aim the optimising of combined Total System and Desalinated water Production Capacity economy, security, stability and reliability; (2) shall give due consideration to incremental power purchase costs, incremental Transmission losses, Total System technical constraints and other technical and operational considerations; and (3) shall otherwise be determined by each Licensed Transmission System Operator in accordance with its Transmission Licence in relation to Production Facilities Connected to its System;
"Ministry of Finance"	means the Ministry of Finance of the Government;
"Ministry of Oil and Gas" or "MOG"	means the Ministry of Oil and Gas of the Government;
"New Capacity"	means Production Capacity which either does not exist at the relevant time or, if it does exist, is not, or will not at the relevant time, be the subject of a contract between the owner of the Production Capacity and the Licensee;

"Oman Power and Water Procurement Company" or "PWP"	means the Company of that name referred to in Article (66) of the Sector Law, having the functions assigned to it under the Sector Law;
"Omani Content"	means Omani products, suppliers and contractors;
"Omanisation"	means the Government's policy for the employment and training of Omani nationals;
"Output"	means electricity Generated and/or water Desalinated at a Production Facility;
"Person"	means any natural person or public or private legal person or corporations or societies or organisations;
"Power and Water Purchase Agreement"	means an agreement entered into by the Licensee and a Generator/Desalinator pursuant to which the Licensee agrees, amongst other things, to purchase the Production Capacity and Output associated with the relevant Production Facilities;
"Power Purchase Agreement"	means an agreement entered into by the Licensee and a Generator pursuant to which the Licensee agrees, amongst other things, to purchase the Production Capacity and Output associated with the relevant Production Facilities;
"Premises"	means any land, building or structure occupied or used by a Person;
"Production Capacity"	means either the electricity Generation capacity or the combined or co-located electricity Generation and the water Desalination capacity of a Production Facility or the Desalination capacity of a Desalination Facility of a Special Nature, as the context requires;
"Production Facility"	means installations used for the Generation of electricity or the Generation of electricity combined with the Desalination of water or the Generation of electricity co-located with the Desalination of water in the same site or the Desalination of Water from a Desalination Facility of a Special Nature, including all associated Electric and water lines connected to such installations;

"Public Authority for Electricity and Water"	means the Authority established pursuant to Royal Decree No. 92/2007;
"Regulatory Accounting Guidelines"	means guidelines issued by the Authority from time to time in connection with the preparation of regulatory accounts;
"Regulated Activity"	means each of the activities which are listed in Article (3) of the Sector Law;
"Related Water"	means Desalinated water in the Sultanate of Oman which is combined or co-located with the electricity sector and which is regulated by the Sector Law;
"Rial Omani" or "RO"	means the lawful currency of the Sultanate of Oman;
"Rural Areas Electricity Company SAOC"	means the Company of that name referred to in Article (66) of the Sector Law;
"RAEC Connected"	means, in relation to any Premises or System, that there is a physical connection between those Premises or that System and a System owned or operated by the Rural Areas Electricity Company SAOC and RAEC Connection and RAEC Connect shall be construed accordingly;
"Rural Premises"	means Premises which are not Connected and which are within the Authorised Area of the Rural Areas Electricity Company SAOC;
"Sector Law"	has the meaning given to it in paragraph 1 of Part I;

"Self Supply"	means in relation to electricity, the Supply by a Person to themselves, their employees or their business, of electricity otherwise than via a Transmission System or a Distribution System of a Licence Holder;
"Separate Business"	means each of the separate businesses of the Licensee identified as such from time to time by notice of the Authority for the purpose of Condition 14;
"Supply"	means the supply of electricity to any Premises;
"Supply Licence"	means a Licence to Supply electricity;
"System"	means a Distribution System or a Transmission System, as the context requires;
"Tenders Law and Regulations"	means the law and regulations promulgated by Royal Decree No. 86/84, as amended;
"the Authority"	means the Authority for Electricity Regulation, Oman, being the Authority established pursuant to Article (19) of the Sector Law;
"Total System"	means the entire interconnected electricity systems of Licensees in the Sultanate of Oman including all Production Facilities and all Distribution Systems and Transmission Systems, as the same may be developed or modified from time to time and includes any System which interconnects with any System which is outside the Sultanate of Oman;
"Transco"	means the Oman Electricity Transmission Company SAOC, referred to in Article (66) of the Sector Law;
"Transmission"	means, the transport of electricity by means of a Transmission System and Transmit shall be construed accordingly;
"Transmission Licence"	means a Licence to Transmit electricity;

"Transmission System"	means lines and electrical installations, with voltage equal to or greater than 132kV used for transporting electricity from a Production Facility to sub-stations, or from Production Facilities to other Production Facilities, or from sub-stations to other sub-stations, or to or from any Interconnector, Premises, or Distribution System and any Electric Plant used for the purposes of Dispatch;
"Water Departments"	means any major division or sub-division responsible for Related Water including the Public Authority for Electricity and Water or other Competent Authority;
"Water Equipment"	means any installations, water mains, and other water installations forming part of a Production Facility;
"Water Self Supply"	means, in relation to Desalinated water, the supply by a Person to themselves, their employees or their business, of Desalinated water;
"Wholly-owned by the Government"	means, in relation to any company, that all of the issued shares in that company are owned by the Ministry of Finance or the Electricity Holding Company or by other nominees of the Government or by any entity Wholly-owned by the Government.

7. Interpretation and construction

For the purpose of this Licence:

- (a) where any obligation of the Licensee is required to be performed within a specified time limit that obligation shall be deemed to continue after that time limit if the Licensee fails to comply with that obligation within that time limit;
- (b) in construing a Condition, the heading or title of any Condition or paragraph shall be disregarded; and
- (c) any reference to a numbered Condition is a reference to the Condition bearing that number or prefix in this Licence and any reference to a paragraph is to the paragraph bearing that number or prefix in the Condition in which the reference occurs.

PART II: CONDITIONS

Condition 1: Prohibited activities and cross-ownership

1. The Licensee shall not and shall procure that any Affiliate of the Licensee shall not, on its own account (or that of the Licensee or of any Affiliate of the Licensee, as the case may be):
 - (a) engage in the Generation of electricity and/or Desalination of water; or
 - (b) Transmit electricity or otherwise convey electricity by any means; or
 - (c) engage in the Distribution or Supply of electricity; or
 - (d) without the consent in writing of the Authority, hold any economic interest, whether by the ownership of shares or otherwise, in any Person who undertakes a Regulated Activity,

provided that, neither the Government nor any entity which is Wholly-owned by the Government at the relevant time shall constitute an Affiliate of the Licensee for the purposes of this Condition 1.

2. The Licensee shall not, without the prior written consent of the Authority, carry on any activities other than the Licensed Activities or those other activities reasonably necessarily ancillary thereto.
3. The Licensee shall, in carrying out the Licensed Activities, comply at all times with the Sector Law.

Condition 2: Purchase duty

1. Subject to paragraph 3, and save to the extent that the Authority may from time to time otherwise determine, the Licensee shall have the exclusive right and the duty to contract for the purchase of all Production Capacity and Output in the Sultanate of Oman, whether from Licensees, Autogenerators, the Rural Areas Electricity Company SAOC or other Persons.
2. Save as provided in the Sector Law and subject to the operation of Article (114) thereof, the Licensee shall have the right and duty to contract for electricity to be Imported into or Exported from the Sultanate of Oman.
3. The Licensee shall not be obliged by virtue of paragraph 1 to contract for the purchase of Production Capacity or Output:
 - (a) to the extent that it is the Production Capacity or Output of an Autogenerator and is used for Self-Supply or Water Self Supply, as appropriate;
 - (b) to the extent that it is excused from doing so by the provisions of the Sector Law or regulations made pursuant thereto;

- (c) to the extent that such Production Capacity and Output is produced and/or used by a Licensed Generator or Licensed Generator/Desalinator for the purpose of performing its Regulated Activities;
- (d) to the extent that the Production Capacity is owned by and operated by or for the Rural Areas Electricity Company SAOC and is used either:
 - (i) for the production of Desalinated water; or
 - (ii) in order to Supply Rural Premises;
- (e) where the entry into of such a contract would be contrary to the provisions of the Sector Law and, in particular, the provisions of Article (79) of the Sector Law or the Licensee's Economic Purchase duty; or
- (f) with any Person in respect of Production Facilities which exist but are not the subject of a contract between the Licensee and any Person at the relevant time, and the Licensee is unable to agree with the owner of such Production Facilities (or any other relevant Person), the terms and conditions upon which such Production Capacity and/or Output is to be bought and sold.

Condition 3: Agency Contracts

1. Subject to the provisions of this Condition 3 and the other provisions of this Licence, the Licensee shall authorise each Licensed Supplier to act as its agent in entering into Agency Contracts with Autogenerators who:
 - (a) own or operate Systems which are Connected to the relevant Licensed Distribution System Operator's Distribution System;
 - (b) have, in the relevant Connection Agreement, a maximum export capability of 25MW or less and who wish to sell electricity Output of amounts not exceeding 32,850 MWh per annum or such other amount as shall be specified for these purposes in directions issued by the Authority from time to time; and
 - (c) are prepared to accept standard terms and conditions developed under paragraph 2.
2. The Licensee shall co-operate with each Licensed Supplier in developing standard terms and conditions including as to price, to be included in all Agency Contracts. In the event that the Licensee and any Licensed Supplier are unable to agree on any or all of the standard terms and conditions for Agency Contracts, the matters which are in dispute shall be referred to the Authority for determination.
3. The standard terms and conditions for Agency Contracts agreed between the Licensee and any Licensed Supplier as provided at paragraph 2 above shall be:
 - (a) subject to the approval of the Authority; and
 - (b) reviewed and modified by the Licensee in accordance with the directions from time to time of the Authority.

4. The Authority may from time to time require that, having regard to the quantities of electricity purchased from time to time by the Licensee under Agency Contracts, no further Agency Contracts should be entered into.

Condition 4: Sale of demineralised water

1. The Licensee shall, to the extent that the same is available to it, make available on reasonable terms and at prices which comply with Schedule 1, demineralised water to Licensed Transmission System Operators and Licensed Distribution System Operators for line washing and otherwise as necessary to enable those licensees to undertake their Regulated Activities.
2. The Licensee shall be entitled to make sales of demineralised water to other Persons to the extent approved by the Authority.

Condition 5: Statement of future capacity requirements

The Statement

1. The Licensee shall once every year (and not later than such date as the Authority shall specify), and after conducting the consultation process described in paragraph 2 of this Condition, prepare and publish, in accordance with such requirements as the Authority shall from time to time specify, a statement (in a form approved by the Authority) showing in respect of each of the seven succeeding calendar years:
 - (a) its projections of the demand for electricity Production Capacity and Output:
 - (i) in the Sultanate of Oman; and
 - (ii) for Export,

in each year, provided that its obligation to make projections as described at paragraph (a)(i) above shall be subject to Condition 10 of this Licence and the provisions of Article (77) of the Sector Law;
 - (b) Water Departments' projections of the demand (including the level and location of such demand) for Desalinated water Production Capacity and Output in the Sultanate of Oman in those years;
 - (c) the amount and nature of the available Production Capacity which it expects will be either (i) taken out of service permanently in those years or (ii) in respect of which any existing contract between the Licensee and owner and/or operator of the Production Capacity will expire or terminate;
 - (d) the amount and nature of the Production Capacity, including any New Capacity, it expects it shall require to be available to it in order to ensure that the Generation Security Planning Standard shall be met and identifying whether any such Production Capacity is outside the Sultanate of Oman;

- (e) the amount and nature of the Production Capacity which combines electricity Generation and water Desalination capacity, including any New Capacity, which the Licensee, having consulted with Water Departments, expects will be required in those years;
- (f) general details of its then current plans for securing Production Capacity, including any New Capacity, required to meet the projections of demand referred to in 1(a) and the Generation Security Planning Standard and that such Production Capacity shall be so available to it; and
- (g) any particular factors it considers relevant as regards the availability of supplies of Fuel, together with:
 - (i) such further information as shall be reasonably necessary to enable any Person seeking opportunities to provide any such New Capacity to identify and evaluate such opportunities;
 - (ii) a commentary prepared by the Licensee indicating its views as to those parts of the Sultanate of Oman where such New Capacity would be most appropriately located and the nature of the New Capacity required in such places; and
 - (iii) such other matters as shall be specified in directions issued by the Authority from time to time for the purposes of this Condition.

Pre-statement procedures

2. Without prejudice to generality of paragraph 1, the Licensee shall, when or prior to preparing the statement:
 - (a) when preparing the statement, take account of any contracts which may exist from time to time for the Import and/or Export of electricity;
 - (b) implement a process approved in advance by the Authority in order to adequately consult with all relevant Licensed Operators and such other Licence Holders and third parties (including Exemption Holders) as the Authority shall consider appropriate before publishing such statements; and
 - (c) consult in particular:
 - (i) all relevant Licensed Transmission System Operators as regards paragraph 1(a) above;
 - (ii) Licensed Suppliers as regards paragraph 1(a) above;
 - (iii) the Rural Areas Electricity Company SAOC as regards paragraph 1(a) and otherwise as appropriate;
 - (iv) Water Departments, as regards paragraph 1(b) above; and
 - (v) MOG as regards paragraph 1(g) above.

Omission on grounds of confidentiality

3. The Licensee may, with the prior consent of the Authority (who, before it shall give any such consent, shall have consulted Water Departments and affected Licensed Transmission System Operators and Licensed Distribution System Operators and taken into consideration any representations made by any of them) omit from any such statement any details as to its current plans for securing New Capacity disclosure of which would, in the view of the Authority, seriously and prejudicially affect the commercial interests of the Licensee or any third party.

Statement revision

4. The Licensee may periodically revise the statement prepared in accordance with paragraph 1 and shall revise such statement in order that the information set out in the statement shall continue to be accurate in all material respects. The Licensee shall implement a process for revising the statement approved by the Authority.

Copies of Statement

5. The Licensee shall furnish to the Authority a copy of the statement prepared in accordance with paragraph 1 and of each revision of such statement in accordance with paragraph 4.
6. The Licensee shall give or send a copy of the statement prepared in accordance with paragraph 1 or (as the case may be) of the latest revision of such statement in accordance with paragraph 4 to any Person who requests a copy of such statement.
7. The Licensee may make a charge for any statement given or sent pursuant to paragraph 6 of an amount reflecting the Licensee's reasonable costs of providing such statement which shall not exceed the maximum amount specified in directions issued by the Authority from time to time for the purposes of this Condition.

Directions relieving performance

8. The Authority may (following consultation with the Licensee and other Licence Holders and Persons whom he considers may be likely to seek to become a Licence Holder) from time to time issue directions (which may be subject to conditions) relieving the Licensee of its obligations under this Condition to the extent specified in those directions.

Condition 6: Duty to hold fair and open competition and secure investor participation

Requirement for New Capacity – power only

1. The Licensee:
 - (a) shall:
 - (i) where a requirement for New Capacity for electricity Generation exists, including as a result of the expiry or termination of an existing contract;
 - (ii) where the New Capacity required is in excess of 75 MW (or such higher threshold as may be specified by the Authority from time to time); and
 - (iii) where the provisions of Article (80) of the Sector Law are not applicable:
 - (aa) determine in accordance with Article (77) of the Sector Law whether the New Capacity should be procured from Production Facilities which are, or will be, Connected or which are, or will be RAEC Connected; and
 - (bb) if it determines that the New Capacity should be procured from Production Facilities which are, or will be, Connected; or
 - (b) may, if it wishes to contract for the purchase of New Capacity, with the prior written approval of the Authority,

conduct a competition for the provision of the New Capacity and contract for the provision of such New Capacity and its Output in accordance with the provisions of the Sector Law.

Requirement for New Capacity – with water or of Desalination Facility of a Special Nature

2. Where, pursuant to its duty in Article (78) of the Sector Law and with the approval of the Ministry of Finance, a Water Department notifies the Licensee that a requirement for New Capacity for water Desalination exists, including as a result of the expiry or termination of an existing contract, the PWP shall comply with the provisions of Article (79) of the Sector Law and, where it is determined in accordance with that Article that the PWP shall conduct the competition for such New Capacity, the PWP shall contract for the provision of such New Capacity and its Output in accordance with Article (79) of the Sector Law.

Scope of competition

3. The Licensee shall do such things as are necessary to ensure that:
 - (a) each such competition is open to (i) both international investors and domestic investors which have suitable expertise and (ii) to the extent that this would not necessarily involve a breach of any Licence, the owners and/or operators of existing Production Facilities and shall otherwise be in accordance with the provisions of the Sector Law; and

- (b) any requirements for New Capacity are, insofar as it is possible, met by New Capacity which is designed, built, financed, owned and operated through the utilisation of private sector funds (whether international or domestic).

Requests for proposals

4. Where the Licensee is to procure New Capacity, the Licensee shall:
- (a) consult with each Licensed Transmission System Operator and/or any relevant Licensed Distribution System Operator regarding where the New Capacity should be located, matters of Connection and the provision of Ancillary Services;
- (b) determine the size and location of the New Capacity and when it should be procured; and
- (c) save where the provisions of Article (80) of the Sector Law apply:
- (i) having regard to the consultation conducted in accordance with (a), prepare the documentation required to invite tenders to provide the New Capacity, its Output and associated Ancillary Services;
- (ii) issue such documentation to interested Persons who are, or who are likely, prior to the commencement of the construction of the Production Facilities, to be Appropriate Persons; and
- (iii) prepare and use objective evaluation criteria for the selection of a successful tenderer, which criteria shall include a methodology for determining the economic advantage of tenders received by it in response to an invitation to tender issued by it pursuant to this Licence and the Sector law.

Ancillary Services

5. The Licensee shall cooperate with each Licensed Transmission System Operator in ensuring that all appropriate Ancillary Services are obtained on an Economic Purchase basis and, in contracting for the provision of Ancillary Services, the Licensee shall take account of Ancillary Services which each Licensed Transmission System Operator requires and those which the Licensed Transmission System Operator has contracted for.
6. Subject to paragraph 5, the Licensee shall:
- (a) use all reasonable endeavors to procure such Ancillary Services as may be required by each Licensed Transmission System Operator; and
- (b) upon contracting with any Person for New Capacity, report to the relevant Licensed Transmission System Operator as to which Ancillary Services it has contracted for.

Regulatory review of documentation

7. The Licensee shall, upon a request of the Authority, provide to the Authority for audit and review any documentation prepared by the Licensee pursuant to paragraph 3 above at any time.

Conduct of competition

8. The Licensee shall:
- (a) subject to paragraph (c) below, comply with any instructions of the Authority as to the process which the Licensee shall follow in relation to any competition held;
 - (b) comply with any request for information from the Authority to enable the Authority to determine that it has conducted competitions required by this Condition in a fair and transparent manner; and
 - (c) comply with the provisions of the Tenders Law and Regulations.

Contracting for New Capacity

9. The Licensee shall enter into contracts with Appropriate Persons for the required New Capacity, associated Output and Ancillary Services and shall do such other things (including complying with the relevant provisions of the Grid Code and Distribution Code) as may be required to secure New Capacity and Output as and when required.
10. The Licensee shall not be obliged to contract for any New Capacity where it concludes, with the agreement of the Authority that, on the basis of the results of a competition conducted in accordance with this Condition, either:
- (a) it is not able to contract for the relevant New Capacity and associated Output; or
 - (b) it is not appropriate that it should do so.
11. The Licensee shall, in procuring New Capacity, Output and Ancillary Services, do so in a manner which is, and on terms which are, at all times consistent with the Grid Code, and, in particular its obligations thereunder, and to the extent appropriate the Distribution Code.
12. If Article (81) of the Sector Law applies, the Licensee shall enter into a contract with the subsidiary of the Electricity Holding Company SAOC formed for the purpose of providing the required New Capacity and Output, on terms determined by the Authority.

Condition 7: Economic Purchase

General

1. Subject to the Licensee's duty to manage fuel supplies and resources in the Sultanate of Oman in accordance with Article (74)(i) of the Sector Law, the Licensee shall, in contracting or arranging for the provision of goods, assets and services required to enable the Licensee to carry out the Licensed Activities, purchase or otherwise acquire such goods, assets and services on an Economic Purchase basis.

Contracts with Affiliates

2. Any contracts or arrangements for the purchase of goods, assets and services from an Affiliate shall be on arm's length terms. For the purposes of this Condition 7, "an arm's length basis" means a basis on which unrelated parties would, in the normal course of business, do business.

Ancillary Services

3. The Licensee shall procure the provision of such quantities and types of Ancillary Services which are appropriate to enable the Licensee to discharge its obligations under the Sector Law and this Licence.
4. Notwithstanding paragraph 1 above, the Licensee's duty in the contracting for and the procurement of Ancillary Services, shall be to contract for and procure Ancillary Services so as to achieve for the Total System the best terms reasonably obtainable, having regard to quantity, quality, the nature of the Ancillary Services to be purchased and the available manner of delivery.

Production Capacity and Output

5. In determining whether a contract for Production Capacity, Output and, if appropriate, Ancillary Services, would satisfy the Licensee's obligation to purchase the same on an Economic Purchase basis, the Licensee shall have regard not only to the price which it is to pay for such Production Capacity, Output and, if appropriate, Ancillary Services, but also to any payments made or received or to be made or received for the grant of or pursuant to the relevant contract and to the risk of the Licensee having to make further payments under the contract. The Licensee shall additionally have regard to any considerations liable to affect its ability to discharge its obligations under this Licence in the future, including the future security, reliability and diversity of sources of electricity and the quality of the sources of water available for purchase.
6. The Licensee shall, having regard to the considerations described in paragraph 5 above, keep under review the prices which it shall be liable to pay under, and the other relevant terms of, each Power Purchase Agreement and Power and Water Purchase Agreement for Production Capacity and Output and where, as a result of any such review, the Licensee terminates or seeks to terminate or fails to terminate or to seek to terminate an existing agreement or:
 - (a) amends or seeks to amend; or
 - (b) exercises a discretion or fails to exercise a discretion under,

an existing agreement in such a manner as to alter or not to alter the price or prices applicable under such agreement and/or any of the other relevant terms, the Licensee shall provide the Authority with all relevant information in relation to any amendment or termination of a Power Purchase Agreement or Power and Water Purchase Agreement.

Condition 8: Health and safety

1. The Licensee shall be under a duty, in carrying out the Licensed Activities, to give due consideration to the health and safety of the general public and to Persons employed by the Licensee, in all circumstances in accordance with applicable law and any regulations from Competent Authorities.
2. The Licensee shall, taking due account of any guidance issued to it by the Authority and all applicable laws and regulations, within 90 days of the grant of this Licence, establish a written health and safety policy, together with details of the management arrangements which the Licensee will put in place to give effect to such policy.
3. The Licensee shall review the policy and the management arrangements periodically and otherwise as appropriate.
4. The Licensee shall, upon the establishment of and following the making of any material change to the policy, promptly send to the Authority a copy of the policy and management arrangements which it proposes to put in place to give effect to that policy.
5. The Licensee shall at all times act with regard to the policy and use reasonable endeavours to operate the management arrangements effectively.

Condition 9: Provision of information to the Authority

1. Subject to paragraph 3, the Licensee shall furnish to the Authority, in such manner and at such times as the Authority may require, such information and shall procure and furnish to it such reports, as the Authority may consider necessary in the light of the Conditions or as it may require for the purpose of performing the functions assigned to it by or under the Sector Law.
2. Without prejudice to the generality of paragraph 1, the Authority may call for the furnishing of accounting information.
3. In paragraphs 1 and 2 of this Condition 9, "information" shall include any documents, accounts, estimates, analysis, returns or reports (whether or not prepared specifically at the request of the Authority) of any description specified by the Authority.

Condition 10: Co-operation with Water Departments and certain Licence Holders

1. Without prejudice to any other obligation of the Licensee to provide information to or otherwise co-operate with Licence Holders, whether under this Licence, the Sector Law, the Grid Code or otherwise, the Licensee shall:
 - (a) furnish to each Licensed Transmission System Operator, in such manner and at such times as the Authority may direct, such information as the Authority may consider necessary to enable such Licensed Transmission System Operator to perform the functions assigned to it by the Sector Law or its Licence, including the development and operation of a Merit Order for each such Licensee's System;
 - (b) liaise with Water Departments and shall furnish to Water Departments, in such manner and at such times as the Authority may direct, such information as the Authority may consider necessary to enable Water Departments to perform the functions assigned to them by the Sector Law;
 - (c) without prejudice to the generality of paragraph (b), the Licensee shall:
 - (i) in connection with Water Departments' capacity planning for new Desalination capacity, provide details of existing water Production Capacity which is subject to a contract with the Licensee at the relevant time and of the time at which such contract will terminate or expire, as appropriate, or such Production Capacity will no longer exist;
 - (ii) request from Water Departments information as to Water Departments' demand forecasts for Desalinated water, for inclusion in the statement referred to in paragraph 1 of Condition 5; and
 - (iii) co-operate with Water Departments in the determination of whether required New Capacity for water Desalination should be procured in conjunction with New Capacity for electricity Generation or alone; and
 - (d) liaise with the Rural Areas Electricity Company SAOC:
 - (i) and shall furnish to the Rural Areas Electricity Company SAOC, in such manner and at such times as the Authority may direct, such information as the Authority may consider necessary to enable the Rural Areas Electricity Company SAOC to perform the functions assigned to it by the Sector Law; and
 - (ii) to develop a protocol detailing how the Licensee and the Rural Areas Electricity Company SAOC will cooperate to determine whether required New Capacity should be procured by the Licensee or the Rural Areas Electricity Company SAOC.

Condition 11: Non-discrimination

In carrying out the Licensed Activities, the Licensee shall not create any undue preference in favour of nor unduly discriminate against any Person or class of Persons.

Condition 12: Salalah

Management of Salalah project agreements

(This Condition was deleted on 1 January 2014)

Condition 13: Licence fees

1. The Licensee shall, at the times stated hereunder, pay to the Authority fees of the amount specified in, or determined under, the following paragraphs of this Condition.
2. In respect of the year beginning on 1 January 2005 and in each subsequent year, the Licensee shall pay the aggregate of the following amounts:
 - (a) an amount which is a proportion as determined by the Authority of the amount estimated by the Authority, according to a method which has previously been disclosed in writing to the Licensee, as likely to be its costs during the coming year in the exercise of its general functions under the Sector Law; and
 - (b) the difference (being a positive or a negative amount), if any, between:
 - (i) the amount of the aggregate fee paid by the Licensee in respect of the year immediately preceding the year in question; and
 - (ii) the amount which that aggregate fee would have been in respect of that year had the amounts comprised therein under sub-paragraph (a) above been calculated by reference to the total costs of the Authority and the proportion thereof actually attributable to the Licensee (such total costs being apportioned as determined by the Authority according to a method previously disclosed in writing to the Licensee),

and the fee in each Relevant Year shall be paid by the Licensee to the Authority during the year to which it relates in four equal quarterly instalments, the first such instalment being payable within 30 days of the date upon which the Authority gives notice to the Licensee of its amount. In the First Relevant Year (1 May to 31 December 2005) the fee shall be paid in the number of instalments determined by the Authority.

Condition 14: Accounts for Separate Businesses and regulatory accounts

1. This Condition shall apply for the purposes of ensuring that the Licensee maintains accounting and reporting arrangements which enable:
 - (a) separate accounts to be prepared for each Separate Business showing the financial affairs of each such Separate Business; and
 - (b) those accounts to be prepared in accordance with such Regulatory Accounting Guidelines as may be in force from time to time and such other accounting standards as may be approved from time to time by the Authority.

2. The Licensee shall in respect of each Separate Business:
 - (a) keep or cause to be kept for each of its financial years and in the manner referred to in this Condition:
 - (i) such accounting records in respect of each Separate Business as would be required to be kept in respect of each such business if it were carried on by a separate Company, so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, each Separate Business are separately identifiable in the books of the Licensee from those of any other business; and
 - (ii) such other accounting records in respect of such Separate Business as may be required by the Authority;

 - (b) prepare on a consistent basis from such accounting records in respect of:
 - (i) each financial year, accounting statements comprising a profit and loss account, a balance sheet and a statement of cash flow, together with notes thereto, and showing separately in respect of each Separate Business and in appropriate detail the amounts of any revenue, cost, asset, liability, reserve or provision which has been either:
 - (A) charged from or to any other business (whether or not a Separate Business) together with a description of the basis of that charge; or
 - (B) determined by apportionment or allocation between any Separate Business and any other business (whether or not a Separate Business) together with a description of the basis of the apportionment or allocation; and
 - (ii) such other financial statements as may be required by the Authority;

- (c) procure, in respect of the accounting statements prepared in accordance with this Condition in respect of a financial year, a report by auditors and addressed to the Authority stating whether in their opinion those statements have been properly prepared in accordance with this Condition and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to the Separate Business to which the statements relate; and
- (d) deliver to the Authority:
- (i) the auditors' report referred to in paragraph (c) above; and
- (ii) the accounting statements referred to in paragraph (b)(i) above,
- as soon as reasonably practicable, and in any event not later than six months after the end of the financial year to which they relate in the case of the accounting statements referred to in paragraph (b)(i) above and the auditor's report referred to in paragraph (c) above.
3. (a) Unless the Authority so specifies in directions issued for the purposes of this Condition or with its prior written approval, the Licensee shall not, in relation to the accounting statements in respect of a financial year, change the basis of charge or apportionment or allocation referred to in paragraph 2(b)(i) from those applied in respect of the previous financial year.
- (b) Where, in relation to the accounting statements in respect of a financial year, the Licensee has changed such bases of charge or appointment or allocation from those adopted for the immediately preceding financial year, the Licensee shall, if so directed in directions issued by the Authority, in addition to preparing accounting statements on the bases which it has adopted in respect of that financial year, prepare accounting statements on the bases applied in respect of the immediately preceding financial year.
4. Accounting statements in respect of a financial year prepared under paragraph 2(b)(i) shall, unless otherwise approved by the Authority having regard to the purposes of this Condition:
- (a) have the same content and format (in relation to each Separate Business) as the annual accounts of the Licensee prepared under relevant law;
- (b) conform to the best commercial accounting practices and accounting standards or such other standards as may be notified to the Licensee by the Authority from time to time;
- (c) state the accounting policies adopted; and
- (d) (with the exception of the part of such statement which shows separately the amounts charged, apportioned or allocated and describes the bases of charge or apportionment or allocation respectively), be prepared at the same time as the annual accounts of the Licensee.

5. References in this Condition to costs or liabilities of, or reasonably attributable to, any Separate Business shall be construed as excluding taxation, capital liabilities which do not relate principally to a particular Separate Business, and interest thereon and references to any profit and loss account shall be construed accordingly.
6. The Licensee shall, for each of its financial years, maintain a record of the costs incurred by the Licensee in respect of the following categories of cost:
 - (a) payments made in respect of Production Capacity;
 - (b) payments made in respect of electricity and water Output;
 - (c) payments made in respect of Ancillary Services; and
 - (d) payments made in the discharge of the Licensee's function in relation to Fuel purchase and supply.

Condition 15: Prohibition of cross-subsidy

The Licensee shall procure that no Separate Business shall give any direct or indirect cross-subsidy to, nor receive any direct or indirect cross-subsidy from, another Separate Business or any other business of the Licensee or the business of any Affiliate.

Condition 16: Settlement

The Licensee shall, for each agreement entered into by it pursuant to the Licensed Activities, prepare, process, issue and settle invoices, as required, in accordance with the terms and timescales stipulated in such agreements.

Condition 17: Insurance requirements

1. The Licensee shall, in respect of its Licensed Activities, maintain insurance (including self insurance) against third party liabilities on terms approved by the Authority (including, but without limitation, with respect to type, cover, level and identity of insurer) with any modification as may be required pursuant to paragraph 3.
2. The Licensee shall, except as the Authority may otherwise consent, procure that every insurance policy maintained pursuant to paragraph 1 above shall bear an endorsement to the effect that a minimum of 30 days' prior notice shall be given to the Authority by the insurer or insurance broker of any lapse or cancellation of, or material change to, the policy.
3. Where the Authority notifies the Licensee that the Authority requires any modification of the insurance approved by the Authority pursuant to paragraph 1 above, the Licensee shall, no later than 60 days (or such longer period as the Authority may approve) from the date of the notice, procure that such modification is made.
4. In this Condition:

"self insurance" means the Licensee's financial capacity to meet any liability to a third party in respect of which the Licensee does not otherwise have insurance.

Condition 18: Environmental matters

1. The Licensee shall, taking due account of the guidance issued to it by the Authority and applicable environmental standards prevailing in the Sultanate of Oman, within 180 days of the grant of this Licence, establish a written policy designed to protect the environment from the effect of the Licensed Activities, together with operational objectives and management arrangements to give effect to such policy. The Licensee shall review the policy, the operational objectives and management arrangements periodically and otherwise as appropriate.
2. The Licensee shall, upon the establishment and upon any material change thereto, promptly send to the Authority a copy of the policy, together with a general description of the operational objectives and management arrangements.
3. The Licensee shall act with regard to the policy and operational objectives and use its reasonable endeavours to operate the management arrangements effectively.
4. The Licensee shall, on an annual basis (or at such other intervals as the Authority may direct from time to time) prepare and submit to the Authority a statement setting out how the Licensee is complying and proposes to continue to comply with the guidance issued by the Authority and applicable environmental standards prevailing in the Sultanate of Oman.

Condition 19: Compliance with Grid Code

1. The Licensee shall, to the extent the same is applicable to it, become and remain a party to and shall comply with the provisions of the Grid Code.
2. The Authority may (following consultation with any relevant Licensed Transmission System Operator) issue directions relieving the Licensee of its obligation under paragraph 1 in respect of such parts of the Grid Code and to such extent as may be specified in those directions.

Condition 20: Compliance with Distribution Code

1. The Licensee shall, to the extent the same is applicable to it, become and remain a party to and shall comply with the provisions of the Distribution Code.
2. The Authority may (following consultation with any relevant Licensed Distribution System Operator liable to be materially affected thereby) issue directions relieving the Licensee of its obligation under paragraph 1 in respect of such parts of the Distribution Code and to such extent as may be specified in those directions.

Condition 21: Tariffs for Bulk Supply of electricity and Desalinated water

1. The Licensee, shall, as soon as practicable after the date upon which this Licence is granted and, in any event, not later than such date as the Authority shall specify in directions issued to the Licensee for the purposes of this Condition, and from time to time thereafter, draw up Bulk Supply Tariffs for sales of electricity to Licensed Suppliers and sales of Desalinated water to Water Departments. The Bulk Supply Tariffs shall be calculated, reviewed and revised as specified in Schedule 1. The Licensee shall charge the Bulk Supply Tariff to Licensed Suppliers and Water Departments when making Supplies of electricity and supplies of Desalinated water.

2. Without prejudice to the provisions of Schedule 1, the Bulk Supply Tariffs shall:
 - (a) be in a form which shall require to be approved by the Authority;
 - (b) contain such detail as shall be necessary to enable Water Departments to make a reasonable estimate of the charges to which it would become liable for purchases of Desalinated water;
 - (c) contain such detail as shall be necessary to enable Licensed Suppliers to make a reasonable estimate of the charges to which they would become liable for purchases of electricity;
 - (d) reflect:
 - (i) the costs to the Licensee of procuring and purchasing Production Capacity and Output, including, if applicable, costs associated with the Importing of the same and of making Bulk Supplies; and
 - (ii) the financial benefit to the Licensee, net of associated costs, of sales of electricity by way of Export; and
 - (e) (without prejudice to the foregoing):
 - (i) identify the charges to Licensed Suppliers for Bulk Supplies of electricity at specified times of the year, days of the week, and times of the day and night;
 - (ii) identify the charges to Water Departments for Bulk Supplies of Desalinated water at specified times of the year, days of the week, and times of the day and night; and
 - (iii) include a schedule of adjustment factors in respect of Supplies of electricity, (depending on the voltage at which the Connection is made) to be made in respect of technical Transmission and/or Distribution System losses.

3. In the provision of electricity to Licensed Suppliers at a Bulk Supply Tariff, the Licensee shall not unduly discriminate between Licensed Suppliers.

4. The Licensee shall (subject to paragraph 6) offer to enter into an agreement with any Licensed Supplier or Person seeking to become a Licensed Supplier who requests the same, to provide Bulk Supplies of electricity, the offer shall include charges to be made in respect of such Bulk Supplies of electricity, such charges to be presented in such a way as to be referable to the Bulk Supply Tariff or any revision of the Bulk Supply Tariff.
5. The Licensee shall offer terms for agreements in accordance with paragraph 4 as soon as practicable and (save where the Authority consents to a longer period) in any event not more than 28 days after receipt by the Licensee of an application containing all such information as the Licensee may reasonably require for the purpose of formulating the terms of the offer.
6. The Licensee shall not be obliged pursuant to this Condition to offer to enter into any agreement:
 - (a) if to do so would cause the Licensee:
 - (i) to breach its duties under the Sector Law;
 - (ii) to breach any of the Conditions; or
 - (iii) to breach any provision of the Grid Code or any applicable Distribution Code; or
 - (b) if the Licensed Supplier or Person seeking to become a Licensed Supplier does not undertake to be bound by the terms of such parts of the Grid Code or any applicable Distribution Code and to such extent as the Authority shall from time to time specify in directions issued to the Licensee for the purposes of this Condition.
7. The Licensee shall give or send a copy of the Bulk Supply Tariffs (as from time to time revised) to the Authority not later than 14 days before it is to be made available to any other Person.
8. The Licensee shall (subject to paragraph 9) give or send a copy of the Bulk Supply Tariffs (as from time to time revised) to any Person requesting the same.
9. The Licensee may make a charge for any copy of the Bulk Supply Tariffs (as from time to time revised) given or sent pursuant to paragraph 8 of an amount which will not exceed any amount specified for the time being for the purposes of this Condition in directions issued from time to time by the Authority.
10. The Licensee shall not, in setting the Bulk Supply Tariffs, unduly restrict, distort or prevent competition in the Generation, Transmission, Distribution or Supply of electricity or the Desalination of water.
11. The Authority may give to the Licensee directions requiring the Licensee to alter the form or amount of the Bulk Supply Tariffs in such manner as shall be specified in the directions, or so as to attain such objectives as may be specified in the directions and the Licensee shall forthwith comply with any such directions.

Condition 22: Generation Security Planning Standard

1. The Licensee shall make arrangements, including procuring New Capacity, Output and Ancillary Services, sufficient to meet the Generation Security Planning Standard by 1 May 2006.
2. The Generation Security Planning Standard shall be expressed in terms of expected loss of load hours ('LOLH') in each relevant year. In any one year period the expectation of there being insufficient Production Capacity available to meet Total System demand shall not exceed 24 hours. The Licensee shall submit to the Authority for its review and approval, within 3 months of the issue of this Licence, a methodology for calculating the LOLH.
3. The Licensee shall review the Generation Security Planning Standard and the methodology for calculating the LOLH periodically and otherwise as appropriate.
4. The Licensee shall, as soon as practicable after the date upon which this Licence is granted and in any event not later than such date as the Authority shall specify in directions issued to the Licensee for the purposes of this Condition and from time to time thereafter, submit to the Authority for its approval details of the Licensee's proposals for complying with the obligation referred to in paragraph 1 above.
5. The Licensee shall upon request by the Authority provide to the Authority such information as the Authority may require for the purpose of monitoring compliance with this Condition and to enable the Authority (having regard to its statutory duties) to review the operation of the Generation Security Planning Standard.
6. The Authority, after consultation with the Licensee, may at any time and from time to time by directions issued to the Licensee for the purpose of this Condition make such modifications to this Condition or any other Condition to which this Licence is subject as, in the opinion of the Authority, are the most appropriate to ensure that the Generation Security Planning Standard shall and shall continue to be met.

Condition 23: Imports and Exports

Reliance on Imports

1. The Licensee shall ensure that, in discharging its duties under Article (74) (a) and (74) (f) of the Sector Law:
 - (a) the proportion of the aggregate of all Production Capacity and Imports which it has from time to time contracted to purchase which is the subject of a contract or other arrangement for Import shall at no time exceed 25 per cent; and
 - (b) in any period of 12 months, the proportion of the aggregate Output which it purchases which is made up of Imports does not exceed 25 per cent,
 without the prior written consent of the Authority.

Market share restrictions

2. The Licensee shall ensure that, unless the prior written consent of the Authority to the same has been obtained, at no time shall the aggregate of:
 - (a) Production Capacity within the Sultanate of Oman which it has contracted to purchase; and
 - (b) capacity which is the subject of a contract or arrangement entered into by it in relation to Imports,
 in respect of which any Person (including the Affiliates of such Person) has a direct or indirect economic interest, exceeds 25 per cent of the aggregate of all Production Capacity and Import capacity which are the subject of contracts or other arrangements with it, provided that, neither the Government nor any entity which is Wholly-owned by the Government at the relevant time shall constitute an Affiliate of any Person for the purposes of this Condition 23.

Current Import arrangements

3. The authorisation contained in Part I of this Licence in relation to Imports of electricity shall extend only to those contracts or other arrangements for the Import of electricity identified in Schedule 2, up to the limits specified in that Schedule and in respect only of Imports across the International Interconnectors specified.

Current Export arrangements

4. The authorisation contained in Part I of this Licence in relation to Exports of electricity shall extend only to those contracts or other arrangements for the Export of electricity identified in Schedule 2, up to the limits specified in that Schedule and in respect only of Exports across the International Interconnectors specified.

Procedure for new Imports/Exports

5. If the Licensee proposes to:
- (a) extend, renew or replace any contract or other arrangement for the Import or Export of electricity; or
 - (b) enter into a new contract or other arrangement for the Import or Export of electricity, whether or not across an existing International Interconnector;

the following paragraphs shall apply.

6. The Licensee shall not enter into any contract or other arrangement for the Import or Export of electricity of any of the types referred to in the foregoing paragraph without first having:

- (a) been granted a Licence to Import or Export.
- (b) supplied such information to the Authority as it may have requested and as may be required by the Authority to enable it to comply with the requirements of Article (114) of the Sector Law;
- (c) notified the Authority in writing that it proposes to do so, providing the Authority with its business plan in respect of the proposed contract or other arrangement, including full details of its proposals for:
 - (i) the Persons with whom it proposes to contract and details of the direct and indirect economic interests of those Persons and their Affiliates in:
 - (aa) Licence Holders or the Affiliates of Licence Holders; and
 - (bb) other Persons with whom the Licensee has contracted for Imports;
 - (ii) the International Interconnector or International Interconnectors across which electricity is proposed to be Imported or Exported;
 - (iii) the nature and contents of the proposed contracts or other arrangements, including the price and other terms and whether the sale or purchase is to be interruptible;
 - (iv) the quantities of electricity to be contracted for, together with any proposals in relation to the purchase of capacity for Import or the sale of Production Capacity for Export;
 - (v) any associated requirements for investment in, or expansion or reinforcement of, any part of the Total System, including details of any agreement reached or to be reached with any other Licence Holder in respect thereof;
 - (vi) its assessment of:
 - (aa) the creditworthiness of the proposed purchaser of any proposed Exports; and

- (bb) any risks associated with any proposed Imports, including as to the construction and financing of any new capacity;
 - (vii) any expenditure to be incurred by it in relation to the proposals and a cash-flow forecast for the period of the proposed contract or other arrangement; and
 - (viii) which shall be accompanied by a commentary explaining in detail the Licensee's proposals as to how the proposed Import or Export of electricity is compatible with, and would better enable it to perform, its duties under the Sector Law, in particular those under Article (74) and its Economic Purchase duty, and this Licence, in particular this Condition.
7. If the Licensee proposes to commence discussions or negotiations with any Person in relation to any matter as referred to in paragraph 5, it shall first notify the Authority, providing such of the information about the proposals listed in paragraph 6(c) as may be available to it at that time. The Licensee shall keep the Authority fully informed as to the status and progress of any such discussions.

Condition 24: Omani Content and Omanisation

1. The Licensee shall use all reasonable efforts, in conducting the Licensed Activities, to promote and encourage the training of Omani nationals and otherwise comply with and procure compliance with the Government's policy from time to time in respect of Omanisation and Omani Content.
2. The Licensee shall, on an annual basis (or at such other intervals as the Authority may direct from time to time) prepare and submit to the Authority a statement setting out how the Licensee is complying and proposes to continue to comply with the Government's policy for the time being in respect of Omanisation and Omani Content.

Condition 25: Disposal of assets

1. The Licensee shall not:
 - (a) transfer its interests in, under or to this Licence, (nor any part thereof) without the prior written consent of the Authority; or
 - (b) create or agree to create any security or effect a disposal of or relinquish control over any relevant asset or any liability or create or agree to create or extinguish or agree to extinguish any interest it uses in connection with the Licensed Activities other than with the prior written consent of the Authority.

2. In this Condition:

- | | |
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| "disposal" | includes any sale, gift, lease, licence, mortgage, charge or the grant of any encumbrance or any other disposition to a third party; and |
| "relevant asset" | means any asset which is necessary to enable the Licensee to undertake the Licensed Activities in accordance with the provisions of the Sector Law and this Licence and shall include Power Purchase Agreements, Power and Water Purchase Agreements and contracts for Ancillary Services. |

Condition 26: Revocation

1. The Authority may at any time revoke this Licence by not less than 30 days' prior notice in writing to the Licensee:
 - (a) if the Licensee agrees in writing with the Authority that this Licence should be revoked;
 - (b) if the Licensee ceases to undertake the Licensed Activities for a period exceeding 90 days, except where the Authority is satisfied that this has occurred as a result of events beyond the reasonable control of the Licensee, in which case the Authority shall substitute such longer period as it considers reasonable in the circumstances;
 - (c) if any amount payable under Condition 13 is unpaid for 30 days after it has become due and remains unpaid for a period of 30 days after the Authority has given the Licensee notice in writing that the payment is overdue;
 - (d) if the Licensee fails, to any material extent, to perform any of its Licence duties or statutory duties;
 - (e) if the Licensee has been adjudicated insolvent;
 - (f) on expiry of the duration of the existence of the Licensee as specified in its constitutional documentation;
 - (g) if the Licensee suffers a change of Control without the Authority's prior written approval, provided that, in considering whether or not to give such approval, the Authority's primary considerations shall be whether, in all the circumstances, (1) the Person acquiring Control is a fit and proper Person to do so and (2) the change of Control would necessarily cause a breach of the Sector Law or a provision of this Licence; or
 - (h) if it is found that the issue of this Licence had been based on inaccurate or incorrect information provided by the Licensee and the Licensee has been convicted of an offence in respect of such provision of inaccurate or incorrect information pursuant to Article (132) (b) of the Sector Law.
2. For the purpose of paragraph 1(g) of this Condition, there is a change in the Control of the Licensee whenever a Person obtains Control of the Licensee who did not have Control of the Licensee when this Licence was granted.

SCHEDULE 1 - CHARGE RESTRICTION CONDITIONS

Basic Formula: Revenue for PWP Services

- The Licensee shall in setting charges for the provision of Bulk Supplies of electricity and Desalinated water (including Exports), demineralised water, and the provision of Ancillary Services use reasonable endeavours to secure that in any Relevant Year the **Actual Regulated Revenue** shall not exceed the **Maximum Allowed Revenue** calculated according to the following formula:

$$MAR_t = COPC_t + Fuel_t + PWP_t + PDC_t + EC_t + LF_t - K_t$$

Where:

MAR_t means the **Maximum Allowed Revenue** relating to charges for the provision of Bulk Supplies of electricity and Desalinated water (including Exports), demineralised water, and for the provision of Ancillary Services in Relevant Year t;

$COPC_t$ means the aggregate of all amounts payable (save for any amounts arising out of a breach by the Licensee of a Relevant Agreement) measured on an accruals basis under Power and Water Purchase Agreements, Power Purchase Agreements, Water Purchase Agreements, Agency Contracts, and Import contracts (including the associated costs of Imports) in Relevant Year t;

$Fuel_t$ means Fuel purchases net of Fuel sales (both measured on an accruals basis) in respect of Fuel purchases in Relevant Year t;

PWP_t means the allowed electricity and water procurement costs in Relevant Year t calculated according to the formula in paragraph 2 below;

PDC_t means the allowed Project Development Costs measured on an accruals basis in Relevant Year t;

EC_t means the allowed Extraordinary Costs measured on an accruals basis in Relevant Year t;

LF_t means the Licence fee payable pursuant to Condition 13 in Relevant Year t; and

K_t is the correction factor in Relevant Year t calculated in accordance with the following formula:

$$K_t = [(ARR_{t-1} - MAR_{t-1}) \times (1 + \frac{i}{100})] + [ER_t \times (1 + \frac{pt}{100})]$$

Where:

AAR_{t-1} means the **Actual Regulated Revenue** in year t -1;

- MAR_{t-1} means the **Maximum Allowed Revenue** relating to charges for the provision of Bulk Supplies of electricity and water (including Exports), demineralised water, and for the provision of Ancillary Services in Relevant Year $t - 1$;
- i_t means the Specified Rate in Relevant Year t ;
- ER_t is equal to zero save that when ARR_{t-1} exceeds MAR_{t-1} by more than 2 per cent, is the Rial Omani amount in excess of that 2 per cent; and
- p_t is the penalty rate that has a value of 3, unless otherwise agreed by the Authority.

2. The value of PWP_t in a Relevant Year shall be derived from the following formula:

$$PWP_t = PWP_{tb} \times \left[1 + \frac{CPI_t - X_t}{100} \right]$$

Where:

- PWP_{tb} shall be the Notified Value provided by the Authority for each Relevant Year;
- CPI_t in relation to a Relevant Year is the percentage change in the Omani Consumer Price Index in the period from 30th June 2012 to 30th June in the previous Relevant Year;
- If, when complying with the requirements of paragraphs 9 and 10, the value of CPI_t for the relevant period is unavailable, the value of CPI_t shall be a forecast of the percentage change in the Omani Consumer Price Index for the period from 30th June 2012 to 30th June in the previous Relevant Year agreed with the Authority.
- X_t is the Notified Value provided by the Authority.

Restrictions on Charges for PWP Services

3. If, in respect of any Relevant Year, **Actual Regulated Revenue** exceeds the **Maximum Allowed Revenue** by more than 3 per cent, the Licensee shall furnish an explanation to the Authority and in the next following Relevant Year the Licensee shall not effect any increase in charges for the provision of Bulk Supplies of electricity and Desalinated water (including Exports), demineralised water, or Ancillary Services, the revenue from which is regulated under this schedule unless it has demonstrated to the reasonable satisfaction of the Authority that the revenue from the increased charges is not likely to exceed the **Maximum Allowed Revenue** in that next following Relevant Year.

4. If, in respect of any 2 successive Relevant Years, the sum of the amounts by which the **Actual Regulated Revenue** has exceeded the **Maximum Allowed Revenue** is more than 4 per cent of the **Maximum Allowed Revenue** for the second of these Relevant Years, then in the next following Relevant Year the Licensee shall, if required by the Authority, adjust its charges for the provision of Bulk Supplies of electricity and Desalinated water (including Exports), demineralised water, or Ancillary Services, so that the revenue from these charges would not be likely, in the judgement of the Authority, to exceed the **Maximum Allowed Revenue** in that next following Relevant Year.
5. If, in respect of any 2 successive Relevant Years, the **Actual Regulated Revenue** is less than 90 per cent of the **Maximum Allowed Revenue**, the Authority, after consultation with the Licensee, may direct that in calculating K_t in respect of the next following Relevant Year, there should be substituted for ARR_{t-1} in the formula set out in paragraph 1 such figure as the Authority may specify being not less than ARR_{t-1} and not more than $0.9 (MAR_{t-1})$.

Provision of Information to the Authority

6. Where any change is intended to be made in charges for the provision of Bulk Supplies of electricity and Desalinated water (including Exports), demineralised water, or Ancillary Services the Licensee shall, not later than 1 month prior to the change in charges notify the Authority of the proposed change and if required, provide the Authority with:
 - (a) a written forecast of the **Actual Regulated Revenue** in the Relevant Year t in which such change is to take effect and in respect of the next following Relevant Year $t+1$; and
 - (b) a written estimate of the **Maximum Allowed Revenue**, together with its components, in respect of the Relevant Year $t-1$ immediately preceding the Relevant Year in which the change is to take effect, and for Relevant Year t and Relevant Year $t+1$, unless a statement complying with paragraph 9 in respect of Relevant Year $t-1$ has been furnished by the Licensee to the Authority before the publication of the proposed change.
7. If within 3 months of the commencement of any Relevant Year t , the Licensee has not made any such change to its charges as referred to in paragraph 6, the Licensee shall provide the Authority with a written forecast of the **Maximum Allowed Revenue** together with its components in respect of the Relevant Year t .
8. Any forecast or estimate provided in accordance with paragraphs 6 or 7 shall be accompanied by such information as regards the assumptions underlying the forecast or any estimate as may be necessary, in the judgement of the Authority, to enable the Authority to be satisfied that the forecast or estimate has been properly prepared on a consistent basis.
9. Not later than 6 weeks after the commencement of each Relevant Year t , the Licensee shall send to the Authority a statement as to:
 - (a) whether or not the provisions of paragraphs 4 to 5 are likely to be applicable in consequence of **Actual Regulated Revenue** in the 2 preceding Relevant Years $t-1$ and $t-2$; and

- (b) its best estimate as to the relevant correction factor K_t calculated in accordance with the formula set out in paragraph 1 to be applied in calculating the **Maximum Allowed Revenue** for Bulk Supplies of electricity and water (including Exports), demineralised water, and for the provision of Ancillary Services in Relevant Year t.
10. Not later than 3 months after the end of each Relevant Year t the Licensee shall send to the Authority a written statement in respect of that Relevant Year showing the specified items referred to in paragraph 12.
11. The statements referred to in the preceding paragraph shall be:
- (a) accompanied by a report addressed to the Authority from the auditors referred to in Condition 14 that in their opinion such statements fairly represent each of the specified items in accordance with the requirement of this Schedule and that the amounts shown in respect of each of the specified items are in accordance with the accounting records which have been maintained in accordance with Condition 14; and
- (b) certified by a director of the Licensee on behalf of the Licensee that, to the best of his or her knowledge, information and belief after having made all reasonable enquires, that the amounts included in its calculations under paragraph 12 have been prepared in accordance with the Licensee's statutory and Licence obligations.
12. The specified items to be shown in the statements referred to in paragraph 10 in respect of the Licensee's activities shall be the following:
- (a) The **Actual Regulated Revenue** in Relevant Year t showing separately:
- (1) revenue for the provision of Bulk Supplies of (a) electricity and (b) Desalinated water in Relevant Year t;
- (2) revenue from Exports in Relevant Year t;
- (3) revenue from sales of demineralised water in Relevant Year t; and
- (4) revenue for the provision of Ancillary Services in Relevant Year t.
- (b) the value of $COPC_t$ as defined in paragraph 1;
- (c) for each Power and Water Purchase Agreement, Power Purchase Agreement, Water Purchase Agreement, Agency Contract, and Import contract (including any costs related to Imports of electricity):
- (1) the amounts payable (measured on an accruals basis) in respect of availability of Production Capacity (electricity Production Capacity and Desalinated water Production Capacity each being separately identified) in Relevant Year t;
- (2) the amounts payable (measured on an accruals basis) in respect of Output for both electricity and Desalinated water (each being separately identified with a further breakdown of payments for Fuel and other costs, for both electricity and Desalinated water) in Relevant Year t;

- (3) the amounts payable (measured on an accruals basis) in respect of Ancillary Services in Relevant Year t;
 - (4) the amounts payable (measured on an accruals basis) in respect of any other expenses for both electricity and Desalinated water (each being separately identified) in Relevant Year t;
 - (5) total electricity units (net kWh) purchased in Relevant Year t; and
 - (6) the total Desalinated water units (net cubic meters) purchased in Relevant Year t, showing separately the number of demineralised water units purchased in Relevant Year t.
- (d) the amounts payable for Fuel purchases and amounts due from Fuel sales (both shown separately) measured on an accruals basis in Relevant Year t;
 - (e) the value of PWP_t as defined in paragraph 1 in Relevant Year t;
 - (f) the value of PDC_t as defined in paragraph 1 in Relevant Year t;
 - (g) the value of EC_t as defined in paragraph 1 in Relevant Year t;
 - (h) the value of LF_t as defined in paragraph 1 in Relevant Year t;
 - (i) the value of K_t as defined in paragraph 1 in Relevant Year t; and
 - (j) such other items as shall be specified in directions issued by the Authority for the purposes of this Schedule.

Duration of Charge Restriction Conditions

13. The charge restriction conditions in this Schedule shall apply so long as this Licence continues in force but shall cease to have effect (in whole or in part as the case may be) if the Licensee delivers to the Authority a disapplication request made in accordance with paragraph 14 and:
- (a) the Authority agrees in writing to the disapplication request; or
 - (b) the application of the charge restriction conditions (in whole or in part) is terminated by notice given by the Licensee in accordance with either paragraph 15 or 16.
14. A disapplication request shall:
- (a) be in writing addressed to the Authority;
 - (b) specify the charge restrictions (or any part thereof) to which the request relates; and

- (c) state the date from which the Licensee wishes the Authority to agree that the specified charge restriction conditions shall cease to have effect and the date upon which such charge restriction conditions cease to have effect shall be the 'disapplication date', provided that, save where the Authority agrees otherwise, the disapplication date shall not be earlier than the date occurring 18 months after the delivery of the disapplication request.
15. If the Authority has not proposed a modification of the charge restriction conditions and/or has not issued a decision in writing rejecting the disapplication request before the beginning of the period of 6 months which will end with the disapplication date, the Licensee may deliver written notice to the Authority terminating the application of such of the charge restriction conditions as are specified in the disapplication request with effect from the disapplication date or a later date.
16. Nothing in paragraphs 13 to 15 above shall be taken to imply any limitation to or restriction of the Authority's power to modify this Licence in accordance with Article (109) of the Law.

Definitions

1. In this schedule words and expressions, when used with capital letters, shall have the following meanings:

"Actual Regulated Revenue"	means the revenue recovered through charges for the provision of Bulk Supplies of electricity and water (including Exports), demineralised water, and the provision of Ancillary Services and any other revenue items stipulated by the Authority measured on an accruals basis;
"Extraordinary Costs"	means the revenues allowed in relation to significant costs that are outside the normal scope of operations of the Licensee and deemed appropriate for recovery by the Authority;
"First Relevant Year"	means the Relevant Year beginning on 1 January 2013 and ending on 31 December 2013;
"Maximum Allowed Revenue"	means the maximum amount that can be recovered in a Relevant Year through charges for the provision of Bulk Supplies of electricity and water (including Exports), demineralised water, and Ancillary Services, the revenue from which is regulated under this schedule;
"Metered"	means in relation to any quantity, as measured by a meter installed for such purpose pursuant to the Metering and Data Exchange Code or (where no such meter is installed) as otherwise reasonably calculated;
"Metering and Data Exchange Code"	means the code of that name, forming part of the Grid Code, as the same may be revised from time to time with the approval of the Authority;
"Monthly Statistical Bulletin"	means the Monthly Statistical Bulletin published by the National Centre for Statistics and Data;
"National Centre for Statistics and Data"	means the Centre established pursuant to Royal decree No. 31/2012;
"Notified Value"	means, in relation to any term, such value as shall be first ascribed to that term in a written notice given to the Licensee by the Authority as soon as practicable after the date of grant of this Licence;
"Omani Consumer Price Index"	means the "Consumer Price Index for Some Towns in the Sultanate", Price Index (1-8), as published in the Monthly Statistical Bulletin;

"Project Development Costs"	means the allowed revenues in relation to the development and/or procurement of Production Capacity and deemed appropriate for recovery by the Authority;
"Relevant Agreement"	means any contract or agreement entered into by the Licensee pursuant to its Licensed Activities;
"Relevant Year"	means a period of 12 calendar months commencing on 1 January;
"Relevant Year t"	means that Relevant Year for the purposes of which any calculation falls to be made;
"Relevant Year t-1"	means the Relevant Year preceding Relevant Year t or, in respect of the First Relevant Year, the period of 12 calendar months commencing on 1 January 2012 and similar expressions shall be construed accordingly; and
"Specified Rate"	means in respect of Relevant Year t the average of the Weighted Average Interest Rates on Deposits (Total Deposits All Sectors: Rial Omani) published in the Monthly Statistical Bulletin of the Central Bank of Oman (or such other banks as the Authority shall specify from time to time) during Relevant Year t-1.

2. Words and expressions, when used in this Schedule with capital initial letters, which are not defined in paragraph 1 above, shall have the meanings given to them in Part I of this Licence.

SCHEDULE 2 – LICENSED IMPORTS AND EXPORTS

IMPORTS

N ^o	Contract or arrangement				Maximum Capacity (or units) purchased	Details of International Interconnection
	Date	Counterparty	Expiry Date	Maximum Import		

EXPORTS

N ^o	Contract or arrangement				Maximum Capacity (or units) sold	Details of International Interconnection
	Date	Counterparty	Expiry Date	Maximum Export		



هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN