

English Translation of Royal Decree 78/2004

The Law for the Regulation
and Privatisation of the
Electricity and Related Water
Sector

As amended by Royal Decrees (59/2009), (32/2012) and (47/2013)

Royal Decree No.78/2004 promulgating The Law for the Regulation and Privatisation of the Electricity and Related Water Sector

We, Qaboos Bin Saeed
Sultan of Oman

Pursuant to the Basic Statute of the State issued by the Royal Decree 101/96;
The Commercial Companies Law issued by the Royal Decree 4/74 as amended;
The State Administrative Apparatus Law issued by the Royal Decree 26/75 as amended;
The Law for Expropriation of ownership for public interest issued by the Royal Decree 64/78;
The Land law issued by the Royal Decree 5/80 as amended;
The Law organizing the Usufruct of the Lands of the Sultanate issued by the Royal Decree 5/81;
The Companies Income Tax Law issued by the Royal Decree 47/81 as amended;
The Government Tender Law and Regulations issued by the Royal Decree 86/84 as amended;
The Law of Post Service Pensions and Gratuities of Omani Employees issued by the Royal Decree 26/86 as amended;
The Regulations of Public Corporations and Institutions issued by the Royal Decree 116/91 as amended;
The Foreign Capital Investment Law issued by the Royal Decree 102/94 as amended;
The Polices and Rules of Privatisation issued by the Royal Decree 42/96;
The Arbitration Law on Civil and Commercial Disputes issued by the Royal Decree 47/97 as amended;
The Financial Law issued by the Royal Decree 47/98 as amended;
The Capital Market Law issued by the Royal Decree 80/98 as amended;
The Rules of Privatisation of Al-Kamil power station in the east region and Barka power and water desalination station by the Royal Decree 54/2000;
The State Financial Audit Law issued by the Royal Decree 55/2000;
The Law granting concession of Salalah Power Facility issued by the Royal Decree 20/2001;

The Royal Decree 47/2001 making ministerial amendment;

The Royal Decree 5/2003 approving the organizational chart of the Ministry of Housing, Electricity and Water and determining its functions;

The Labour Law issued by the Royal Decree No.35/2003;

The Privatisation Law issued by the Royal Decree No.77/2004;

And on the exigencies of public interest.

WE decree as follows:

Article (1): The provisions of the attached Law shall apply in respect of the regulation and privatisation of electricity and related water sector.

Article (2): The provisions of this law shall apply to all companies and establishments operating within the electricity and related water sector.

Article (3): There shall be repealed all that is contrary to the attached law.

Article (4): This Decree shall be published in the Official Gazette and shall come into force as from its publication.

Issued on the 2nd day of Jummada Al-Thani 1425 corresponding to the 20th day of July 2004

Qaboos bin Saeed

Sultan of Oman

(Official Gazette issue number 772, 1st August 2004)

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Part I
Definitions and General Provisions

Article (1) In the application of the provisions of this Law the following expressions and words shall have the meanings assigned to each of them unless the context otherwise requires:

Ancillary Services	services which Licensed Generators, Licensed Generators/ Desalinators or other Persons connected to a Transmission System or Distribution System may be required to provide in connection with the security and stability of such Transmission System or the Total System, whether by an agreement to be concluded between a Licensed Transmission System Operator or a Licensed Distribution System Operator and any Person, or an agreement between a Licensed Generator or a Licensed Generator/Desalinator and the Oman Power and Water Procurement Company;
Appeal	the manner prescribed to protect rights, and oblige with the duties and payment of compensation, and imposition of fines, and cancellation of any decision issued by any authority, or any Person authorized by Law with the specific jurisdiction, all of which may be subject to Appeal pursuant to this Law;
Appellant	any Person who has the capacity and interest in Appealing against any decision, or action issued by the Authority, Government or any other Person pursuant to the provisions of this Law;
Appropriate Person	a Person who has the technical and financial abilities and is otherwise qualified to obtain a Licence or Exemption;
Arbitration	an Appeal instituted by any Person who has the capacity and interest pursuant to this Law in any matters which may be referred to Arbitration or which are not within the jurisdiction of the Competent Omani Court pursuant to the provisions of this Law;
Authorised Area	a geographical area specified in the Licence within which a Licensee is authorized to undertake any of the regulated activities stipulated in this Law;
Autogenerator	a Person who generates electricity for the purposes of Self-Supply;
Bulk Supply	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	the consideration charged by the Oman Power and Water Procurement Company for the Bulk Supply of electricity, or the tariffs charged by each of the Rural Areas Electricity Company and the Oman Power and Water Procurement Company for the Bulk Supply of Desalinated water, which shall be calculated in respect of each calendar year on the basis prescribed by the Authority and be provided for in the Licence granted to any of such companies;
Competent Authority	any unit of the State Administrative Apparatus, and what is considered as such, and the branches and divisions related thereto, which have been assigned with any jurisdiction pursuant to this Law;
Competent Omani Court	the panel constituted by three judges of the Primary Court in Muscat assigned in accordance with the provisions of the Judiciary Law issued by the Royal Decree 90/1999 and as amended to dispose of commercial matters;
Connected	any Premises or System, connected by any means of electrical connection for Transmission, Distribution or Supply of electricity between those Premises or that System and a Transmission System or Distribution System other than a Transmission System or Distribution System owned or operated by the Rural Areas Electricity Company;
Cost-Reflective Tariff	amounts charged by the Licensed Transmission System Operator and the Licensed Distribution System Operator in consideration for Connection and use of their Systems, and amounts charged by a Licensed Supplier in consideration for Supply where, all being in cases, no Permitted Tariff exists, and such tariff shall be calculated in respect of each calendar year on the basis and rules prescribed by the Authority;
Customer	a Person who is Supplied with electricity at Premises for consumption at those Premises;
Desalination	the production of demineralised and/or potable water by desalination;
Desalination Facility of a Special Nature	a water Desalination facility which is not combined with a facility for the Generation of electricity or co-located with it at the same site, the criteria for its definition shall be issued by a decision of the Chairman of the Public Authority for Electricity and Water*;

* Added pursuant to Royal Decree (47/2013)

Desalination Licence of a Special Nature	an authorisation to undertake the activity of water Desalination from a Desalination Facility of a Special Nature*;
Dispatch	the manner by which instructions are determined and issued to Licensed Generators or Licensed Generators/Desalinators as to the operation or cessation of operation of their Production Facilities or to other Persons whose facilities are Connected;
Distribution	the transport of electricity by means of a Distribution System;
Distribution Code	the rules which each Licensed Distribution System Operator is obliged to prepare and maintain after the approval of the Authority, which shall include standard technical criteria to be complied with in respect of Connection to the System of such Licensee, and in relation to the use and operation of such System, and shall also include the relevant criteria for the maintenance and development of the abovementioned System, all being in accordance with the Licence;
Distribution Licence	an authorization to undertake the activity of electricity Distribution;
Distribution System	electrical lines and installation of less than 132kV used for the distribution of electricity to any Premises, which are not part of a Transmission System;
Economic Purchase	procurement of all required goods and services on the best economic terms taking into account quality, quantity, the nature of the items intended to be purchased, the available manner of delivery and the future security, reliability and diversity of supply of the items to be purchased;
Electric Line	any line, whether underground or overground, which is used to transport or Distribute electricity for any purpose and includes, unless the context otherwise requires: <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;

* Added pursuant to Royal Decree (47/2013)

(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	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;
Eligible for Connection	Premises not Connected at the relevant time, which according to Article (85) of this Law are within the class of Premises, which are required to be Connected by a Licensed Distribution System Operator or a Licensed Transmission System Operator;
Employment Rights	the rights of Transferring Employees from the Ministry of Housing*, for financial dues and other rights relating to employment, including all rights actually accrued;
Exemption	a written authorization issued by the Authority to undertake any of the regulated activities pursuant to the provisions of this Law without obtaining a Licence or Exemption from one or more conditions of a Licence;
Export	electricity, Generated in the Sultanate of Oman and which is exported from the Sultanate of Oman pursuant to a legal transaction in accordance with the provisions of this Law;
Forward Work Programme	the programme prepared and published by the Authority before the beginning of each financial year pursuant to Article (34) of this Law;
Generation	the production of electricity by any manner;
Generation/Desalination Licence	an authorization to undertake the activity of electricity Generation combined or co-located with the Desalination of water at the same location;
Generation Licence	authorization to undertake the activity of electricity Generation and operation of Production Facilities;

* Amended pursuant to Royal Decree (59/2009)

Grid Code	the rules which each Licensed Transmission System Operator shall prepare and maintain after the approval of the Authority, and shall include standard technical criteria to be complied with in respect of Connection to the System of such Licensee, and in relation to the use and operation of the above mentioned System and in respect of Dispatch, in addition to the relevant matters relating to the Total System, all being pursuant to the Licence;
Import	electricity which is Generated outside the Sultanate of Oman and imported into the Sultanate of Oman pursuant to a legal transaction in accordance with the provisions of this Law;
Industry Participant	any Person undertaking a regulated activity;
Interconnector	facilities, which Connect two Systems;
International Interconnector	an Interconnector, which Connects a System, which exists within the Sultanate of Oman with a System, which existing outside the Sultanate of Oman;
Liberalisation of the Electricity Market	one or more of the following: <ol style="list-style-type: none">(1) The disposal by the Government of any economic interest in the Electricity Holding Company or the Oman Power and Water Procurement Company;(2) Permitting the sale by Licensed Generators and Licensed Generator/ Desalinators of Output to any Person other than the Oman Power and Water Procurement Company;(3) Permitting the Import or Export of electricity by any Person other than the Oman Power and Water Procurement Company and the Rural Areas Electricity Company;(4) The creation of competition amongst Licensed Suppliers including those who are not also Licensed Distribution System Operators in relation to the Supply of electricity;
Licence	a written authorization issued by the Authority to undertake any of the regulated activities pursuant to the provisions of this Law;
Merit Order	an order for ranking available Production Facilities aiming at the achievement of optimal economy, security, and stability for the Total System and Desalinated water capacity determined by each Licensed Transmission System Operator in accordance with the Transmission Licence issued to them;

New Capacity	the Production Capacity, which is not subject to a contract between its owner and the Oman Power and Water Procurement Company;
Oman Electrical Standards	the standards issued by the Ministry of Housing*, and the standards approved, reviewed and modified from time to time by electricity regulations made in accordance with Article (38) and Article (39) of this Law, in relation to the safety of equipment and electrical Systems and procedures associated with the operation of electrical Systems;
Output	electricity Generated and/or water Desalinated by a Production Facility;
Performance Security Standards	the standards by which a Licensee's performance in maintaining generation security and/or the availability and quality of a System or services, may be measured, in the manner prescribed in its Licence;
Permitted Tariff	the tariff a Customer is obliged to pay in consideration for Supply of electricity or for Connection to a Distribution System or a Transmission System, which tariff shall be determined in the manner stipulated in Article (9) of this Law;
Person	any natural person or public or private legal person, corporations or societies or organisations;
Premises	any plot of land, building, or structures occupied or used by any Person;
Production Capacity	electricity Generation capacity or electricity Generation capacity combined with or co-located with water Desalination capacity in the same site or the water Desalination Capacity from a Desalination Facility of a Special Nature**, as the context so requires;
Production Facility	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;

* Amended pursuant to Royal Decree (59/2009)

** Amended pursuant to Royal Decree (47/2013)

RAEC Code	the rules which the Rural Areas Electricity Company shall prepare, implement and maintain, after the approval of the Authority, and shall include the standard technical criteria to be complied with in respect of RAEC Connection, the use, operation and development of any RAEC System, pursuant to the Licence;
RAEC Connections	a physical connection existing between any Premises or System and a System owned or operated by the Rural Areas Electricity Company;
RAEC Connection and Electrification Funding	the funding provided by the Government for RAEC Connections, expansion of the Systems of the Rural Areas Electricity Company and electrification of Rural Premises;
RAEC System	a Transmission System or a Distribution System owned and operated by the Rural Areas Electricity Company;
Related Water	Desalinated water in the Sultanate of Oman which is combined or co-located with the electricity sector and which is subject to regulation in accordance with this Law;
Relevant Assets and Liabilities	all of the physical assets, contracts, rights and liabilities of the Ministry of Housing* on the Transfer Date including the contracts of employment of Transferring Employees and other employees which are used for the purpose of, or in connection with the Generation, Transmission, Dispatch, Distribution, or Supply of electricity, or Related Water, but shall not include matters relating to the purpose of Housing or non-related water;
Rural Premises	Premises, which are not Connected within the Authorised Area of the Rural Areas Electricity Company;
Self Supply	the Supply by a Person of electricity to himself, his employees or commercial business, other than via a Transmission System or a Distribution System of a Licence Holder;
Street-works	any kind of works conducted under, over, across or above any highway;
Successor Entity	any Person to which Transfer is affected in accordance with the Transfer Scheme and shall include the companies stipulated in Article (66) of this Law;
Supply	the supply of electricity to any Premises;
Supply Licence	authorization to undertake the activity of electricity Supply;

* Amended pursuant to Royal Decree (59/2009)

System	a Distribution System or a Transmission System, as the context requires;
The Authority	the electricity and Related Water sector Authority established pursuant to Article (19) of this Law;
Total System	the entire interconnected electricity Systems of Licensees, including all Production Facilities and all Transmission Systems as the same may be modified or developed, and any System that interconnects with another System, within or outside the Sultanate of Oman;
Transfer	the transfer of any or all of the assets and liabilities from the Ministry of Housing* to a Successor Entity in the manner specified in the Transfer Scheme;
Transfer Date	the date fixed for the enforcement of the Transfer Scheme;
Transferring Employee	each Omani employee working in the service of the Ministry of Housing* on the date preceding the Transfer Date to be Transferred to any Successor Entity pursuant to the Transfer Scheme;
Transfer Scheme	the scheme determined, implemented and modified by the Ministry of Finance** in accordance with the provisions of this Law, for the purposes of Transfer to the Successor Entity;
Transmission	the transport of electricity by means of a Transmission System;
Transmission Licence	an authorization to undertake the activity of electricity Transmission;
Transmission System	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;
Value-test	the equivalent to: (a) 2% of the annual aggregate turnover in case of Appeals instituted by a Licence Holder or Exemption Holder;

* Amended pursuant to Royal Decree (59/2009)

** Amended pursuant to Royal Decree (32/2012)

- (b) 2% of the total annual expected turnover in cases of Appeals instituted by any applicant for a Licence or Exemption.

Water Department any major division or sub-division responsible for Related Water in the Public Authority for Electricity and Water*, or any other Competent Authority;

Water Equipment any installations, water mains, and other water installations forming part of a Production Facility;

Wholly-owned by the Government 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.

The term '**Project Agreements**' shall have the same meaning assigned to it pursuant to article 1 of the Law granting the abovementioned Salalah Concession, also the words and expressions used in this Law relating to the Salalah Project Agreements shall have the same meanings assigned to them in the mentioned agreements, and also the words and expressions relating to the Manah Project Agreements shall have the same meanings given to them in those agreements.

Strategic Investment Decision the decision issued by the Public Authority for Electricity and Water in implementation of the general policy of the State requiring investment in the regulated activities pursuant to the provisions of this law in cases where there is no reasonable demand for the services of such activities and that shall be for achievement of the public interest*.

Research and Development Project experimental research project in the area of regulated activities pursuant to the provisions of this law with the aim to promote the electricity and Related Water sector through the results it achieves such as introducing methods or technologies the usage of which may be extended in future in the area of such activities*.

Article (2) The Authority shall be competent to regulate the electricity and Related Water sector in the Sultanate of Oman in accordance with the provisions of this Law.

Article (3) Each of the following activities shall be subject to regulation and the provisions of this Law shall apply to them;

* Amended pursuant to Royal Decree (59/2009)

- (a) Generation, Transmission, Distribution, Export, Import or Supply of electricity;
- (b) Generation of electricity related with Desalination of Water;
- (c) Generation of electricity co-located with Desalination of Water in the same site;
- (d) Operation of central Dispatch system;
- (e) The development and/or operation of International Interconnections;
- (f) The functions assigned to the Oman Power and Water Procurement Company provided for in this Law; and
- (g) Desalination of water from a Desalination Facility of a Special Nature*.

Article (4) It shall not be permissible for any Person to undertake any of the regulated activities stipulated in the preceding Article without obtaining a Licence or Exemption from the Authority, and the undertaking of the licensed activity shall be by the licensee in accordance with the terms, periods and rules contained in this law and pursuant to the contents of the Licence or Exemption.

Article (5) The Authority may grant an Exemption to any Person undertaking or applying to undertake any of the regulated activities from obtaining a Licence or from some of the Licence conditions**.

Article (6) The Authority, pursuant to a reasoned decision, may refuse to grant a Licence or Exemption.

Article (7) Save for the Rural Areas Electricity Company or a special provision to the same effect in this law, it is not permissible for any licensee to undertake more than one regulated activity or to acquire any direct or indirect economic interest in any other Licensee.

Article (8) The Authority in performing its functions, exercising its powers, and discharging its duties prescribed in accordance with the provisions of this Law shall not violate any rights which have been determined pursuant to agreements concluded before the date of enforcement of this Law.

Article (9) The Public Authority for Electricity and Water** shall issue Permitted Tariff regulations which are to be implemented in the Sultanate of Oman including tariffs for Supply and Connection of electricity, and the use of the system of the Salalah Project Company, and such tariffs shall be published in the Official Gazette.

* Added pursuant to Royal Decree (47/2013)

** Amended pursuant to Royal Decree (59/2009)

Article (10) The Public Authority for Electricity and Water* before issuing the regulations mentioned in the preceding article shall:

- (1) Take the opinion of the Authority, which is bound to coordinate with Licensed Suppliers, and Licensed Distribution System Operators, and the Rural Areas Electricity Company, and the Oman Power and Water Procurement Company;
- (2) Submit such proposed regulations to the Council of Ministers for approval.

The amendment or modification of tariffs shall be in the same way.

Article (11) Permitted Tariff regulations may include the following:

- (a) The provision for the payment of Permitted Tariffs by commercial, industrial, and residential and other categories of Customers or specific groups of Customers in the manner provided for in the regulations;
- (b) A provision for the non-application of Permitted Tariffs to specific categories of Customers;
- (c) To distinguish between different categories of Customers on the basis of the level of consumption or the time or geographic location;
- (d) The determination of different structures, levels and times relating to the Permitted Tariffs to be applied as between different categories or groups of Customers or at different times or according to other bases specified by the regulations including the negotiation of Permitted Tariffs in each case with specific categories of Customers;
- (e) All that is related to the cost of providing Connection;
- (f) Exemption of specific categories or groups of Customers from the total or partial payment of Permitted Tariffs;
- (g) Other provisions in respect of Supply and Connection Permitted Tariffs as the Public Authority for Electricity and Water* deem to be appropriate.

Article (12) It shall not be permissible for any Person who undertakes Supply and Connection or any of them to obtain any amounts purported to be prescribed to a Permitted Tariff or a Cost-Reflective Tariff if that is not true.

* Amended pursuant to Royal Decree (59/2009)

- Article (13) The Public Authority for Electricity and Water shall be competent to implement the policy of the Government in relation to the privatisation of the electricity and Related Water sector after coordinating with the Ministry of Finance*, and shall for that purpose have the power to do the following:
- (a) to instruct the Electricity Holding Company to sell its shares in all or some of the Companies stipulated in Article (66) of this law or in other companies, or to oblige such companies to dispose of all or some of their assets, rights or liabilities.
 - (b) to do all that is required for the process of privatisation of the companies undertaking business in the sector which are Wholly-owned by the Government or in the capital of which the Government participates, and to allow the private sector to invest in the sector by constructing, owning, operating, maintaining, developing and financing the regulated activities pursuant to the provisions of this law or in any other manner.
 - (c) to determine the percentage of shares in the capital of the companies licensed pursuant to the provisions of this law which such companies shall offer for public subscription and the period within which this shall be carried out. The same also applies to the companies whose capital is wholly-owned by the State, upon carrying out their privatisation process**.
- Article (14) Subject to the stipulations of Article (7) of this Law it is permissible for any Person to purchase shares in any of the companies stipulated in Article (66) of this Law and other companies operating in the electricity and/or Related Water sector except the Oman Power and Water Procurement Company which shall continue to be Wholly-owned by the Government.
- Article (15) As an exception from the provisions of paragraph (a) of article 2 of the abovementioned Foreign Capital Investment Law, non Omani shareholders in the companies undertaking regulated activities pursuant to the provisions of this Law may own 100 per cent of the shares of that company.
- Article (16) The Electricity Holding Company and all licensees who take the form of Omani companies established in accordance with the provisions of the abovementioned Commercial Companies Law, shall enjoy the taxation and customs treatment prescribed to Omani companies wholly owned by Omanis irrespective of foreign percentage participation, and without prejudice to taxation and custom exemptions prescribed before the commencement of this Law no tax exemption may be granted to any licensee.

* Amended pursuant to Royal Decree (32/2012)

** Amended pursuant to Royal Decree (59/2009)

Article (17) As an exception to the provisions of the abovementioned Commercial Companies Law:

- (a) The founders of any company licensed to undertake any of the regulated activities pursuant to the provisions of this Law may offer their shares in such company for sale notwithstanding that the company has not published two audited balance sheets for two consecutive financial years, and with a value different from the nominal value of such shares, and the proceeds of such shares shall revert to the founders;
- (b) A single founder in any company licensed to undertake any of the regulated activities pursuant to the provisions of this Law may subscribe for more than 20 per cent of the share capital of the company. In all cases the participation of the founders shall not exceed the percentage resolved by the Council of Ministers from time to time based on Public Authority for Electricity and Water suggestion*. The provisions of this paragraph shall apply whether the company is a public joint stock company or a closed joint stock company converted to a public joint stock company.

Article (18) The Ministry of Finance shall pay the value of the annual financial subsidy to Licensed Suppliers after the calculation of such subsidy in accordance with the following:

- (a) The Authority shall assess the level of allowed revenue in the relevant year the earning of which was available to each Licensed Supplier where he has effectively discharged his obligations specified in this Law and his Licence;
- (b) The Authority shall determine the value of revenue represented by the amounts, which have to be collected by the Licensed Supplier in the relevant year where he has effectively discharged his obligations specified in this Law and his Licence;
- (c) The Authority shall calculate the difference between the assessments specified pursuant to paragraph (a) and (b) and approve such difference in its Annual Report, and if the assessed value pursuant to paragraph (b) (representing the revenue collected from customers and others) is less than the assessed value pursuant to paragraph (a) (representing the allowed revenue) the Ministry of Finance shall be obliged to pay such difference to the Licensed Supplier and this Ministry shall specify the time and the manner of such payment which shall be, at least, every three months during the relevant year;

* Added pursuant to Royal Decree (59/2009)

- (d) The Authority shall calculate any differences between the assessments being prepared for the preceding year and what has been actually available for collection by the licensee in such year in the light of relevant circumstances, and the Authority shall notify the Ministry of Finance about the methodology of calculating the differences pursuant to the provisions of this Article and shall include such methodology in the Annual Report mentioned in Article (29) of this Law.

Part II

The Electricity and Related Water Sector Regulatory Authority

Chapter I

Establishment of The Authority, Duties and Functions

- Article (19) There shall be established pursuant to this Law an Authority to regulate the electricity and Related Water sector. The headquarters of the Authority shall be located in the Governorate of Muscat.
- Article (20) The Authority shall have a legal personality and financial and administrative autonomy and shall have the right to own the necessary moveable and immovable properties required to achieve its objectives and its property shall be considered as public property.
- Article (21) Except as otherwise stipulated in this Law, the Authority shall not be subject to the provisions of the abovementioned Public Authorities and Institutions Law or other laws and regulations applicable to the public authorities and institutions or government units.
- Article (22) The Authority shall:
- (1) Secure the provision of electricity and Related Water services in all parts of the Sultanate of Oman and protect the interests of Customers particularly Customers who have limited income, the sick and elderly;
 - (2) Encourage the promotion of competition in the interest of the public in the electricity and Related Water sector conducive to the achievement of public interest;
 - (3) Secure and develop the safe, effective and economic operation of the electricity and Related Water sector in the Sultanate of Oman and to enhance the safety of the public;
 - (4) Secure the Security of Supply in the Sultanate of Oman;
 - (5) Secure that licensees are undertaking to meet all reasonable demands relating to Connection to the Total System and Supply;
 - (6) Secure compliance with the policies of the government in relation to Omanisation and training of Omani content leading to the creation of technical staff capable of undertaking the responsibility;
 - (7) Facilitate the privatisation of the electricity and Related Water sector in the Sultanate of Oman;
 - (8) Secure the protection of Rural Customers and encourage Supply of electricity to them through Connection or RAEC Connections in accordance with the provisions of Article (85) of this Law;

- (9) Take the necessary measures to enable licensees to undertake the regulated activities pursuant to this Law and secure the effective operation of their activities in order to attract finance for their licensed activities in an economic manner;
- (10) Ensure the financial and technical capability of licensees;
- (11) Secure the necessity for taking into consideration the protection of the environment;
- (12) To meet its obligations regarding the procurement and sale of Imports and Exports of electricity and International Interconnection in accordance with the provisions of Articles (114) and (115) of this Law;
- (13) Secure the conduct of fair and transparent competitions for New Capacity and Output by the Oman Power and Water Procurement Company;
- (14) Undertake not to unduly discriminate without legal justification between Persons and to act consistently in like cases;
- (15) Secure the minimization of regulatory burdens on licensees or Exemptions holders;
- (16) Secure the preparation of technical specifications and criteria, and Performance Security Standards, for the electricity and Related Water sector, to maintain and review them in accordance with the relevant exigencies of the public interest;
- (17) Prepare a Public Register containing all that is relating to Licenses and Exemptions and any modifications therein, and papers and documents relating to any of the above, and the certificates in respect of any Member of the Authority, and to maintain such Public Register;
- (18) The preparation of objective criteria to ensure that Licenses and Exemptions are granted to Appropriate Persons and to review, implement, and comply with such criteria and to make them available to relevant Persons to obtain them on request;
- (19) Secure the preparation of criteria relating to the welfare of the Customer and to amend, maintain, follow up compliance and implement such criteria;
- (20) Monitor the development of the electricity and Related Water market in the Sultanate of Oman;

- (21) Provide advice to Ministries and the Public Authority for Electricity and Water* in relation to the financing of RAEC Connection and Electrification Funding and the calculation of financial subsidy and tariffs and other functions assigned to it in accordance with the provisions of this Law;
- (22) Review the situation of the electricity market in order to assess the scope for further Liberalisation and submit reports in this regard, and to assist in the development of criteria to be applied pursuant to the Salalah Project Agreements. The Authority shall take into consideration the provisions of the agreements concluded before the promulgation of this Law in respect of electricity and Related Water sector projects.

Article (22)(bis): In addition to the duties stipulated in the preceding Article, the Authority shall undertake the necessary measures for the implementation of the Strategic Investment Project and that shall be by obliging a Transmission or Distribution licensee pursuant to the provisions of this law, to invest in the activity which is the subject matter of this decision*.

Article (23) The Authority may, after coordination with the concerned bodies, and observing all Oman Electrical Standards, issue regulations relating to Street-works.

Article (24) Street-works regulations issued by the Authority in accordance with the provisions of the preceding Article may include the following:

- (a) Authorize licensees to perform Street-works necessary for the undertaking of their licensed activities and to oblige them before undertaking such works to coordinate with other Persons, and to oblige non-licensees undertaking Street-works to coordinate with licensees, in all matters relating to Street-works;
- (b) Oblige those undertaking Street-works referred to above to comply with relevant specifications for Street-works related to electricity and the materials used, and to observe traffic rules and take necessary measures to protect the public, property and other utilities, and to remove unused or excavated material from the public street and to restore the situation as it was before the commencement of the work;
- (c) Oblige Persons undertaking Street-works to compensate any Persons affected by such works, and to abide by the provisions contained in the aforementioned regulations.

* Added pursuant to Royal Decree (59/2009)

- Article (25) The Authority shall have the following functions:
- (1) Implementation of the general policy for the electricity and Related Water sector and the policy of the State in relation to regulated activities pursuant to the provisions of this Law;
 - (2) Preparation of programmes and plans necessary for the development of the general policy of the electricity and Related Water sector in the Sultanate of Oman;
 - (3) Issuance, modification and revocation of Licenses and approval of Exemptions and follow up its compliance and to oblige licensees and Exemption holders to discharge their duties prescribed in this Law;
 - (4) Determine the form of Licenses in respect of each regulated activity, which is subject to the provisions of this Law;
 - (5) Taking measures for the implementation of obligations arising from international agreements in the field of electricity and Related Water to which the Sultanate of Oman is a party, and the resolutions issued by international and regional organizations to which the Sultanate has acceded, or will accede to, all being in coordination with the Competent Authorities in this respect and in a manner not in conflict with the provisions of this Law;
 - (6) Determination of the terms, rules, specifications and obligations, which Licensees and Exemption Holders shall comply with;
 - (7) Monitoring of the implementation of the terms and rules of Licenses or Exemptions by Licensees and Exemption Holders;
 - (8) Examination of complaints submitted by Customers and Licensees and taking prescribed procedures in respect thereof pursuant to the provisions of this Law;
 - (9) Preparation of programmes necessary for the creation of awareness about the importance of the electricity and Related Water sector and the effect resulting from the development of the sector on development plans and welfare of the citizens;
 - (10) Coordination with the relevant ministries, Government units and the Public Authority for Electricity and Water with respect to all that is required for the development of the sector, and provision of consultation to the Public Authority for Electricity and Water upon its request with respect to those matters which are within its competencies pertaining to the electricity and Related Water sector*;

* Amended pursuant to Royal Decree (59/2009)

- (11) Issuance of regulations specifying the manner of expending RAEC Connection and Electrification Funding, monitoring the extent of compliance with such regulations by the Rural Areas Electricity Company, and the Authority shall submit a report in this respect, a copy of which shall be sent to the Ministry of Finance*, and the Public Authority for Electricity and Water**;
- (12) Setting out rules to regulate the keeping and maintenance of records by Licensees in the manner specified by the Authority;
- (13) Setting out standard technical criteria to be complied with in relation to Connection to a transmission or distribution System of a Licensee, and in relation to the use and operation of such Systems, and the criteria relating to the maintenance and development of the Licensee's System;
- (14) Settlement of disputes arising between licensees or Exemption Holders or between Customers, or any other Persons in accordance with the provisions of a Licence or Exemption pursuant to the provisions of this Law;
- (15) Issuance of regulations and decisions authorized by this Law.

Article (25)(bis) In addition to its competencies described for it pursuant to the provisions of this Law, the Authority shall provide consultation to the Public Authority for Electricity and Water at its request with regard to restructuring the unrelated water sector and contracting with consultants and experts, technicians and specialists and Public Authority for Electricity and water shall bear the costs in relation thereto**.

Article (26) The Authority shall have the right to oblige the Rural Areas Electricity Company to transfer its assets and Distribution and Supply Business, if the public interest so requires in accordance with the procedures and rules stipulated in Article (88) of this Law, and the Authority shall have the right to oblige Licensed Distribution System Operators and a Licensed Transmission System Operator to acquire any of the assets, and to oblige any Licensed Supplier to acquire a specified Supply Business from this company in accordance with the provisions of this Law.

Article (27) The Authority shall establish a Public Register of the activities relating to the electricity and Related Water sector which shall be available to any Person whose economic interests are connected with this sector for perusal of data and information contained in this register after payment of the fees specified by the Authority as long as the data and information does not divulge secrets of a Licensee or Exemption Holder.

* Amended pursuant to Royal Decree (32/2012)

** Amended pursuant to Royal Decree (59/2009)

The data and information contained in the Public Register shall include the following:

- (i) All Licenses and Exemptions issued in the electricity and Related Water sector;
- (ii) Modifications to the Licenses and Exemptions;
- (iii) Resolutions and Orders issued by the Authority in relation to the Electricity and Related Water sector activities;
- (iv) Approvals issued to Licence Holders or Exemption Holders from any body relating to the Licence or the undertaking of the licensed activity or the Exemption;
- (v) Licenses and Exemptions that have been revoked and reasons for revocation thereof and any matters resulting from the revocation;
- (vi) The criteria relied upon by the Authority in the evaluation of the advantages and disadvantages to the public interest in regard to the transfer process and the approach of developing such criteria.

The aforementioned register may contain such data and information deemed necessary by the Authority.

Article (28) The Authority after coordinating with concerned Persons shall have the right to issue regulations if the public interest so requires specifying the following:

- (a) The manner of provision of information required to be submitted to the Authority by the Oman Power and Water Procurement Company and other Persons including Licensees and Exemption Holders;
- (b) The manner of cooperation between the Rural Areas Electricity Company and the Oman Power and Water Procurement Company, and the manner in which each of them shall exercise its rights against the other and obligations towards the other.

Article (29) The Authority shall prepare an Annual Report that shall contain:

- (a) Detailed information relating to its activities and the developments that occurred in the electricity and Related Water sector, and the extent to which the electricity market is prepared for further Liberalisation, and the volume of Imports and Exports of electricity, and the proposals of the Authority in this respect;
- (b) The proposals of the Authority in relation to Permitted Tariff regulations and government financial subsidy;

- (c) A detailed statement of the achievements in the area of providing electricity to Rural Premises through RAEC Connection or other Licensed Distribution Companies and the possibility of achieving further Connection and the plan of the Authority in respect of RAEC Connection and Electrification Funding;
- (d) A statement of the audited financial accounts of the Authority for each financial year in accordance with the international accounting standards;
- (e) The method of calculating the value of financial subsidy in accordance with the provisions of Article (18) of this Law;
- (f) Any other matters the Authority considers should be included in this report.

The Authority shall prepare this report within a period not exceeding six months of the end of the relevant Financial year and shall furnish the Ministry of Finance* and the Public Authority for Electricity and Water, and the Public Authority for Electricity and Water shall furnish a sufficient number of copies of the said report to the Minister of Finance* for submission to the Council of Ministers**.

Article (30) The Authority shall review any proposals referred to it by the Public Authority for Electricity and Water** in relation to further Liberalisation.

Article (31) If the Authority, in coordination with the Public Authority for Electricity and Water**, concludes that the market is not so ready for further Liberalisation, the Authority shall include in its Annual Report the following:

- (a) A statement of the conditions which the Authority believes shall be realized and the measures to be taken by the Authority or by other Persons to realize such conditions in order that the market could be ready for further Liberalisation, and state the period the Authority deems required during which such measures may be taken, after which the Authority expects the market to be ready for further Liberalisation;
- (b) A statement of the kind of Liberalisation that the Authority believes eligible for implementation after the completion of the above mentioned.

Article (32) If the Authority, in coordination with the Public Authority for Electricity and Water, concludes that the market is ready for further liberalisation, it shall include in its annual report the following:

* Amended pursuant to Royal Decree (32/2012)

** Amended pursuant to Royal Decree (59/2009)

- (a) The nature, extent and timing of the proposed liberalisation and the amendments to this law, the licences issued pursuant to its provisions, the rules of the Grid Code and the Distribution Code and other relevant rules and regulations that the process of such liberalisation may require to be effected;
- (b) The outcome of the coordination which the Authority has made with the Industry Participants and other relevant Persons relating to its proposals for the market liberalisation;

The Minister of Finance* shall, after consultation with the Public Authority for Electricity and Water, submit the proposals of the Authority for the market liberalisation to the Council of Ministers for determination. In case of approval of such proposals, the Public Authority for Electricity and Water shall issue necessary decisions to put them into effect**.

- Article (33) The Authority shall announce the issue of the report referred to in Article (29) of this Law in two daily local newspapers, one of which shall be in the Arabic language, and by any other method the Authority deems appropriate, and any Person shall have the right to obtain a copy of this report after payment of the fee specified by the Authority.
- Article (34) The Authority shall before the commencement of each Financial year prepare and publish a Forward Work Programme containing a general description of the main activities the Authority intends to undertake during the subsequent financial year provided such description shall include the objectives relating to each activity.
- Article (35) The Authority shall, by written notice, furnish relevant Persons with the programme referred to in the preceding Article, and the Authority shall have the right to publish the programme by any manner it deems appropriate, and any interested Person may submit comments and objections relating to the content of the programme within one month of the date of notice, and the Authority shall reply to such comments and objections submitted to it during a similar period.
- Article (36) The Authority shall provide each of the Ministry of Finance* and the Public Authority for Electricity and Water with a copy of the programme stipulated in Article (34) attaching to it a copy of the objections of relevant Persons to such programme and the reply of the Authority to such objections. The Public Authority for Electricity and Water shall submit copies of all the above and in a sufficient number to the Minister of Finance* for submission to the Council of Ministers**.

* Amended pursuant to Royal Decree (32/2012)

** Amended pursuant to Royal Decree (59/2009)

- Article (37) The Authority shall have the right to issue regulations regarding the implementation of Street-works to facilitate the regulated activities, or relating to determining the manner of coordinating between Licensees and Persons undertaking the implementation of Street-works as long as such affect the licensed activities. The Authority shall include in such regulations whatever it deems necessary in this respect. The Authority shall, before issuing such regulations, follow the procedures stipulated in this Law, and all Persons addressed by the provisions of such regulations shall comply with it.
- Article (38) The Authority may, after coordination with the Public Authority for Electricity and Water, issue regulations for achieving the following purposes:
- (a) Secure the provision of regular supplies of electricity and desalinated water produced in the electricity and Related Water sector.
 - (b) Protection of the Public from the risks of injury that may result from works and installations related to the electricity and Related Water sector.
 - (c) Encourage the efficient use of electricity by observing relevant rules and standards which are approved by the Public Authority for Electricity and Water*.
- Article (39) The regulations stipulated in the preceding Article may include the following:
- (a) Prohibition of Transmission, Distribution or Supply in specified circumstances;
 - (b) The requirement of notification of accidents, breakdowns of Supply or Transmission and Distribution infrastructure or the occurrence of incidents affecting the Total System;
 - (c) The requirement to maintain designs, maps, drawings and other documentation and make them available for inspection and copying by any concerned Person;
 - (d) Exempt certain categories of Licensees in specific circumstances from the obligation to Supply electricity;
 - (e) The requirement to provide specific information by Licensees to specific Persons and to cooperate with them;
 - (f) To provide for the issuance of new Oman Electrical Standards by the Authority exclusively or to modify existing ones and the requirement to comply with such standards and what may be considered as compliance with the technical standards;
 - (g) To specify the conditions relating to earthing of electrical installations, electrical voltage and frequency;

* Amended pursuant to Royal Decree (59/2009)

- (h) The requirement to comply with the announcements issued by the Authority to eliminate or reduce risk of physical injury or damage or interference with property;
- (i) Exceptions from the regulations stipulated in the preceding Article and this Article;
- (j) Other matters determined by the Authority.

Chapter II

Constitution of the Authority and Functions of its Members

Article (40) The Authority shall be constituted of 3 or 5 Members appointed by a decision of the Council of Ministers, in accordance with recommendations of the Public Authority for Electricity and Water* in coordination with the Ministry of Finance** for a period of three years which may be renewed, and the decision of the Council of Ministers appointing the Members or renewing the appointment shall be published in the first issue of the Official Gazette directly following the appointment or renewal, as the case may be.

The Members shall elect from among themselves a Chairman of the Authority within a period not exceeding 10 days from the date of the publication of the decision of the Council of Ministers in the Official Gazette.

Article (41) The Executive Director of the Authority, determined by the Council of Ministers from among the Members, shall undertake to implement the decisions of the Authority and to represent it before the Judiciary and in its relations with others, and his other functions shall be specified in regulations issued by the Authority.

Article (42) A person appointed as a Member of the Authority shall meet the following conditions:

- (i) must be academically and practically qualified and shall enjoy high competence in the field of his specialization;
- (ii) shall not be a shareholder and neither he nor any of his relative of the first degree shall have an interest in any Industry Participant;
- (iii) shall not be a government employee in any capacity or an employee of an Industry Participant;
- (iv) provide an annual declaration of any interest of any relatives up to the third degree and to refrain from considering any question in which a relative has an interest in;
- (v) shall not have been given a punishment restricting freedom in crimes involving indecency or dishonesty unless rehabilitated.

The Members shall be responsible for the performance by the Authority of its functions.

Article (43) The Council of Ministers shall, on the recommendation of the Ministry of Finance**, make a decision in respect of the financial remuneration and entitlements of the Chairman and Members of the Authority.

* Amended pursuant to Royal Decree (59/2009)

** Amended pursuant to Royal Decree (32/2012)

- Article (44) The Members of the Authority shall undertake the management of the Authority's affairs and organization of its business, and shall have in the first place the authority to take necessary measures to achieve the objectives of the Authority and run its affairs, and in particular the following:
- (i) To propose the general policy of the electricity and Related Water sector and to prepare plans and programmes for its development in accordance with this Law;
 - (ii) To issue regulations organizing the business of the Authority relating to financial and administrative affairs, and to the system of the Authority's employees, and the organizational structure of the Authority, and other matters, all of this without being restricted by government regulations and rules;
 - (iii) To take measures to obtain necessary loans for the Authority;
 - (iv) To prepare the proposed annual budget of the Authority and its closing accounts, and the Annual Report referred to in Article (29) of this Law.
- Article (45) The Council of Ministers shall issue a decision resigning any Member of the Authority in any of the following cases:
- (i) If the Member of the Authority is proved to be incapable of discharging his duties;
 - (ii) If (s)he is convicted of a criminal offence involving indecency or dishonesty;
 - (iii) If it is proved that the performance of functions is characterized by mismanagement or misconduct.
- Article (46) The Chairman and the Members of the Authority may resign their office by a written application submitted to the Minister of Finance* who shall submit it to the Council of Ministers within a period not exceeding seven days, and the resignation shall be deemed accepted on the expiry of 60 days from the date of its submission to the Council of Ministers without a decision being made on it, the resignation shall not exempt the resigning Member from responsibility for acts which are in violation of the provisions of the law, and the Member shall be considered resigned if he absents himself without acceptable reason from two consecutive meetings of the Authority, with which he was notified.
- Article (47) The Chairman and Members of the Authority shall perform their duties pursuant to the provisions of this Law, and they may not be assigned any duty not stipulated in this Law.

* Amended pursuant to Royal Decree (32/2012)

Article (48) The transfer of Omani employees of the Public Authority for Electricity and Water* or other government units to the Authority shall be on the basis of their privileges and rights and pensions, without prejudice to any employment privileges prescribed by this Law or the regulations of the Authority, and employment treatment for the employees appointed to the Authority after its establishment shall be in accordance with the provisions of regulations issued by the Authority in this regard, and the provisions of employment contracts signed with them.

Article (49) The provisions of the Law for Omani Government Employees Post Service Pensions and Gratuities shall apply to the Omani employees of the Authority whether they transfer to it or are appointed by it after its establishment, and their pensions rights shall be settled in accordance with the provisions of the above mentioned law.

* Amended pursuant to Royal Decree (59/2009)

Chapter III
Financial and Administrative System of the Authority

- Article (50) The financial year of the Authority shall commence on the 1st of January each year and end on the 31st December of the same year, provided the first financial year of the Authority shall commence as from the date of the decision establishing the Authority until the 31st December of that same year.
- Article (51) The Authority shall have an independent budget and it shall submit its proposed budget to the Ministry of Finance for opinion and remarks in respect thereof, and the Authority shall approve its budget and publish a comprehensive summary of the budget in two local daily newspapers one of them in the Arabic language and by any other manner the Authority deems reasonable at least one month before the commencement of the relevant financial year.
- Article (52) The Authority shall furnish to each of the Ministry of Finance* and the Public Authority for Electricity and Water, a copy of its annual budget on the same day of publication of its summary. The Public Authority for Electricity and Water shall submit copies of the same in a sufficient number to the Minister of Finance* for submission to the Council of Ministers**.
- Article (53) The Authority shall be subject to the abovementioned State Financial Audit Law but shall not be subject to the provisions of the Financial Law abovementioned.
- Article (54) The resources of the Authority shall comprise:
- (a) The annual fees imposed by the Authority for the Licenses issued by it;
 - (b) The fees received by the Authority for the services provided by it pursuant to the provisions of this Law.
 - (c) The consideration for the services it provides to the Public Authority for Electricity and Water pursuant to the provisions of this Law**.
- Article (55) The surplus or deficit in the budget of the Authority during the financial year shall be adjusted during the relevant financial year, or carried to the subsequent financial year in which such surplus or deficit has been realized.
- Article (56) The Authority shall be exempt from all taxes and fees.

* Amended pursuant to Royal Decree (32/2012)

** Amended pursuant to Royal Decree (59/2009)

Article (57) The Chairman of the Authority shall call the Members to convene a meeting at least once every two months, and he shall call the Members to a meeting wherever the public interest so requires, the call shall state the time and place of the meeting and the agenda to be discussed during the meeting, and such call shall be made at least seven days before convening the meeting, in case of maximum necessity the call may be made at least one day before convening the meeting.

Article (58) The Chairman of the Authority shall call for a meeting whenever a Member of the Authority requests him to do so in writing.

Article (59) A meeting shall be valid by the attendance of two thirds of the Members even if the Chairman is not among them, the resolutions shall be issued by a majority of votes of the Members present, and in case of equality of votes the side of the chairman shall have a casting vote, and all discussions and resolutions taken shall be recorded in the minutes of the meeting and the minutes shall be signed by all Members present and shall be ratified at the meeting that immediately follows it.

The Authority shall keep all minutes of meetings and shall prepare records and take all measures necessary to maintain confidentiality of information and data.

Article (60) It shall not be permissible for the Chairman of the Authority or any of its Members:

- (a) To acquire any interest whether in the property pertaining to the Authority or to any contracts or transactions concluded by the Authority;
- (b) To obtain by any manner any allowance, pension, gratuity or other benefit financial or in kind from any Industry Participant.

The prohibitions stipulated in this Article shall continue for the whole duration of Membership in the Authority and for a period not less than two years after the termination of Membership.

Article (61) The Chairman or a Member of the Authority shall be prohibited from the following:

- (a) Using his influence or intervention in favour of any individual, organization, or any entity or to favour any Person;
- (b) To contract or deal with any Person who has an interest in the electricity or Related Water sector;
- (c) Except as may be prescribed pursuant to this Law, to obtain directly or indirectly any consideration for the performance of his work;
- (d) To use the property or assets of the Authority for personal purposes or for any purposes other than those assigned to it pursuant to this Law;

(e) To divulge any confidential information or data.

Each Member of the Authority shall make a declaration stating that he did not violate any of the prohibitions referred to above in this Article by a date not exceeding 30th day of January following the year for which the declaration is made.

Article (62) The Chairman and Members of the Authority shall during January of each financial year submit a report of their financial position to the Minister of Finance*, who shall submit it to the Council of Ministers provided the report shall be submitted in the first financial year within a period not exceeding one month from the date of appointment, and the Ministry of Finance* shall specify the data and information to be included in the report.

* Amended pursuant to Royal Decree (32/2012)

Part III
Regulation and Privatisation of the Electricity & Related Water Sector

Chapter I

Successor Entities: Ownership and Legal Form

- Article (63) Except as otherwise provided for in this Law, the abovementioned Commercial Companies Law shall apply to the closed Omani joint stock company named the Electricity Holding Company.
- Article (64) The Articles of Association of the Electricity Holding Company shall be made pursuant to the provisions of the abovementioned Commercial Companies Law and in a manner not in conflict with the provisions of this Law.
- Article (65) Without prejudice to the provisions of Article (13) of this law, the Electricity Holding Company shall be competent to implement the Government policy approved by the council of Ministers in respect of the privatisation of the electricity and Related Water sector, and in that it shall abide by the method determined by the Public Authority for Electricity and Water.

In addition to the competencies described for it pursuant to the provisions of this law, the company shall have the following competencies:

- (a) to encourage electricity projects and electricity and Related Water projects which are financed by the private sector.
- (b) to finance companies undertaking business in the electricity and Related Water sector whose capital is wholly-owned by the State and that shall be within the framework of the general policy of the State, and shall safeguard the interest of the State in these companies.
- (c) to carry out all legal dispositions of the State shares in the companies stipulated in Article (66) of this law and the companies stipulated in Clauses (e & h) of this Article, and to undertake procedures and enter into contracts which are necessary for such dispositions in the manner prescribed by the Public Authority for Electricity and Water.
- (d) to undertake the measures which it considers imperative for achieving its objectives in the manner determined by the Public Authority for Electricity and Water.
- (e) to establish new companies or direct any company of its subsidiaries and that shall be for the purpose of securing or in order to secure new Production Capacity or to manage, operate or maintain some of its assets or those which transfer to it from any Electric Plant, Production Facility, Systems or those of such plants and facilities which are owned by a licensee whose licence has been revoked pursuant to the provision of Article (121) of this law, and all the aforesaid shall be in the manner determined by the Public Authority for Electricity and Water.
- (f) to provide central accounting services for the companies doing business in the electricity and Related Water sector whose

capital is wholly-owned by the State , and others of those who wish to receive such services for a charge.

- (g) to provide consultation to the Public Authority for Electricity and Water, at its request, in relation to the future restructuring and regulation of the unrelated water sector.
- (h) to establish new companies on the direction of the Public Authority for Electricity and Water for the purpose of restructuring and privatising the unrelated water sector.

The Electricity Holding Company shall be prohibited from carrying on any of the regulated activities in accordance with the provisions of this law*.

Article (66) Ownership by the State of the shares in the following companies shall be through its ownership of the shares of the Electricity Holding Company:

- (a) The Oman Power and Water Procurement Company SAOC.
- (b) The Oman Electricity Transmission Company SAOC.
- (c) The Wadi Al Jizzi Power Company SAOC;
- (d) The Al Ghubrah Power and Desalination Company SAOC;
- (e) The Mazoon Electricity Company SAOC;
- (f) The Majan Electricity Company SAOC;
- (g) The Muscat Electricity Distribution Company SAOC; and
- (h) The Rural Areas Electricity Company SAOC.
- (i) The Companies that shall be established pursuant to the provisions of Clauses (e & h) of the preceding Article*.

Article (67) The companies stipulated in the preceding Article shall take the form of Omani closed joint stock companies. The Public Authority for Electricity and Water may, after approval of the Ministry of Finance, modify the legal form of any such companies subject to the provisions of the Commercial Companies Law. The Ministry of Finance shall undertake to secure the availability of the necessary finance for the said companies to undertake their activities and achieve their objectives, all being for as long as their capital is wholly-owned by the State whether that was from the Ministry of Finance or from another source*.

Article (68) Each of the companies stipulated in Article (66) of this Law whose capital is wholly-owned by the State shall have a board of directors constituted by a decision of the Electricity Holding Company after coordination with the Ministry of Finance*.

* Amended pursuant to Royal Decree (59/2009)

- Article (69) The Articles of Association of each of the companies stipulated in Article (66) of this Law shall be in accordance with the above-mentioned Commercial Companies Law and in a manner not in conflict with the provisions of this Law.
- Article (70) The provisions of the above-mentioned Government Tender Law and Regulations shall apply to the transactions made by the Electricity Holding Company and the companies stipulated in Article (66) of this Law for as long as those companies are Wholly owned by the Government, without prejudice to any specific provision in this Law and in a manner not in conflict with its provisions.
- Article (71) The Electricity Holding Company and all the companies stipulated in Article (66) of this Law shall be subject to the provisions of the State Financial Audit Law* for as long as these companies are Wholly-owned by the Government.
- Article (72) The provisions of the above-mentioned Commercial Companies Law shall apply to the companies stipulated in Article (66) of this Law without prejudice to any specific provision in this Law and in a manner not in conflict with its provisions.
- Article (73) The Electricity Holding Company shall undertake to submit its annual budget and the budgets of the companies stipulated in Article (66) of this law to the Public Authority for Electricity and Water for review. Such authority shall after carrying out the review, submit the said budgets to the Ministry of Finance for approval, and that for as long as the capital of such companies is wholly-owned by the State* .

* Amended pursuant to Royal Decree (59/2009)

Chapter II
Functions & Duties of Successor Entities

Article (74) Without prejudice to the provisions of any other Law, the Oman Power and Water Procurement Company shall have the following functions and powers and shall be subject to the following duties pursuant to the provisions to this Law, and regulations issued pursuant to it and the conditions of its Licence:

- (a) To secure Production Capacity and Output to meet all reasonable demands for electricity in the Sultanate of Oman in coordination with the Rural Areas Electricity Company;
- (b) To secure the production of desalinated water according to the maximum limit consistent with the Economic Purchase of Production Capacity and Output of desalinated water and electricity if the Desalination Facilities are combined with the Generation of electricity or co-located with it at the same site. And to meet all reasonable demands for desalinated Water as determined by the Public Authority for Electricity and Water if the desalinated water is produced by a Desalination Facility of a Special Nature*;
- (c) To cooperate with the Rural Areas Electricity Company in respect of forward planning for reasonable demand for electricity and New Capacity required thereof;
- (d) To secure the procurement of Ancillary services when and in the manner required in coordination with the Oman Electricity Transmission Company, or the procurement of such services in the manner required by the Public Authority for Electricity and Water in accordance with the security and stability of its water systems, as the case may be*;
- (e) To make Bulk Supply of Desalinated water to the Water Department in accordance with an agreement concluded for this purpose in which the consideration, conditions, and terms for such Bulk Supply are specified, and to secure the sale of demineralised water to other Persons;
- (f) To make Bulk Supply of electricity to Licensed Suppliers in consideration of a Bulk Supply Tariff and to secure adequate supplies of electricity is available to Licensees to enable them to meet all reasonable demand for electricity;
- (g) To Import or Export electricity in accordance with the provisions of Article (114) of this Law;
- (h) To meet the requirement for New Capacity which the company strives to be designed, constructed, financed, owned or operated by local and foreign investors;

* Amended pursuant to Royal Decree (47/2013)

- (i) The company shall in all cases abstain from discrimination or partiality, without due legal justification, between Persons, and comply with the general policy of the state when undertaking the functions assigned to it pursuant to this Law particularly those relating to the price and use of oil;
- (j) The purchase, procurement, and management of Production Capacity and Output, Ancillary Services and all goods and other services shall be on the basis of Economic Purchase;
- (k) To issue instructions to the Salalah Project Company for the transfer of its System assets to the Electricity Holding Company on the termination or expiry of the Concession Agreement;
- (l) To provide consultation and technical support to the Public Authority for Electricity and Water on its request in relation to the future forecasts with respect to the demand for potable water*.

Article (75) Subject to the provisions of Articles (84) and (114) of this Law, the Oman Power and Water Procurement Company shall exclusively have the right to contract for the Import of electricity to, and the Export of electricity from, the Sultanate of Oman.

Article (76) Unless the Authority determines otherwise, the purchase of all Production Capacity and Output in the Sultanate of Oman shall be restricted to the Oman Power and Water Procurement Company. The Oman Power and Water Procurement Company is not obliged to purchase in the following instances:

- (a) If the Production Capacity or Output relates to an Autogenerator in which the Production Capacity or Output is used only for Self-Supply;
- (b) If the Production Capacity or Output are used for the purposes of undertaking regulated activities by a Licensed Generator, Licensed Generator/ Desalinator or a Licensed Desalinator from a Desalination Facility of a Special Nature**;
- (c) If the Production Capacity is owned and operated by or for the Rural Areas Electricity Company whether for the production of Desalinated Water or Supply of Rural Premises;
- (d) If the company is unable to agree with the owner of the Production Facility or any other Person on the terms of the purchase and/or sale of the Production Capacity and/or Output;

* Amended pursuant to Royal Decree (59/2009)

** Amended pursuant to Royal Decree (47/2013)

- (e) if the source of the Production Capacity is a Desalination Facility of a Special Nature and it is used by the operator of such Production Facility for self-supply, or supply to his employees or for the undertaking of his activities*.

Article (77) The Oman Power and Water Procurement Company shall determine the requirement for New Capacity for electricity generation during the calendar year and the immediately succeeding seven calendar years, taking into consideration the contracts for the Import or Export of electricity and after consultation with the Rural Areas Electricity Company. The company shall take into consideration the demand for electricity in the Salalah Concession Area and the ability and duty of the Salalah Project Company to meet such demand pursuant to the Salalah Project Agreements.

If a requirement for New Capacity emerges, the Oman Power and Water Procurement Company shall resolve either to procure the New Capacity from Connected Production Facilities or those Production Facilities to be RAEC Connected, or to procure the New Capacity from Connected Production Facilities or those to be Connected, and the company in the latter case shall conduct a competition to secure the New Capacity and Output and contract for the same.

Article (78) If the Public Authority for Electricity and Water determines that new capacity of Desalinated water is required, it shall notify the Oman Power and Water procurement Company and this Company shall determine whether or not such desalination capacity shall be New Capacity to be combined or co-located with capacity for electricity Generation.

If the Oman Power and Water Company determines that new desalination capacity shall be New Capacity to be combined or co-located with capacity for electricity Generation, and the Ministry of Finance approves that, it shall procure that new Capacity and its Output in accordance with Article (79) of this law.

If the company determines that there is no need for the New Capacity to be combined or co-located with capacity for electricity Generation, the Public Authority for Electricity and Water shall determine whether it will undertake the procurement, financing and operation of this capacity, or a company Wholly owned by the Government after the approval of the Ministry of Finance would undertake that, or, that such capacity shall be New Capacity to be procured with its Output from a Desalination Facility of a Special Nature in accordance with Article (79) of this law.

* Amended pursuant to Royal Decree (47/2013)

The Oman Power and Water Procurement Company shall not abstain from or delay the competition in accordance with Article (79) of this Law for the procurement of New Capacity of electricity generation or water desalination or both on the grounds that it was not notified by the Public Authority for Electricity and Water pursuant to this Article*.

Article (79) The Oman Power and Water Procurement Company shall, where New Capacity is needed according to the preceding two Articles, and such New Capacity is in excess of:

- (i) 75 MegaWatts in the case of electricity Production Capacity;
- (ii) 27,300 cubic meters per day in the case of Desalinated water capacity;
- (iii) Or a higher threshold specified by the Authority in such cases from time to time;

undertake to contract for the provision of required New Capacity after the conduct of a fair and transparent competition in accordance with the following procedures:

- (a) Open the competition for all local and foreign investors who have suitable expertise and to all owners and/or operators of existing Production Facilities;
- (b) Determine its strategy for the procurement for New Capacity, such strategy which shall be approved by the Authority shall take into consideration:
 - The size and most appropriate location of the New Capacity, and the time of its procurement;
 - Imports that may be secured;
 - New Capacity that can be secured from existing Production Facilities;
 - A statement of all tender invitation procedures, and the manner of evaluation, and the stages of negotiation with the bidders;
 - The necessity for consultation with each Licensed Transmission System Operator or Licensed Distribution System Operator in relation to the location, Connection, and Ancillary Services;
 - Preparation of all documents, papers and data required for the conduct of competition.

* Amended pursuant to Royal Decree (47/2013)

- (c) If the Ministry of Finance* agrees that there is a need for New Capacity for Desalinated water as determined by the Public Authority for Electricity and Water**, and it appears to the Ministry of Finance* that it is not possible for such capacity to be procured by the Rural Areas Electricity Company, then such company shall coordinate with the Public Authority for Electricity and Water** on the best manner to meet the company's obligations to provide such New Capacity, whether by securing all or part of it in connection with electricity capacity, or not.

The company shall, if it has been decided to procure new Desalinated water capacity or part of it with electricity Generation Capacity, follow the procedures provided for in this Article in the aforementioned manner;

- (d) The Bulk Supply Tariff prescribed pursuant to Article (135) of this Law shall include the reasonable cost relating to the procurement of Desalinated water Capacity and Output;
- (e) (this paragraph was deleted pursuant to Royal Decree 47/2013).

Article (80) The Authority may agree in writing to the request of the Oman Power and Water Procurement Company to contract for New Capacity and/or Output, up to 150 MW through local competition if the Authority determines that no advantage would be derived from conducting an international competition.

The Authority shall have the right to:

- (a) Review papers and documents prepared by the Oman Power and Water Procurement Company for the conduct of competitions for New Capacity in accordance with the above whether before or after the conduct of a competition;
- (b) Determine the procurement strategy and procedures to be followed by the Oman Power and Water Procurement Company in accordance with the provisions of Article (70) in coordination with the Tender Board;
- (c) Take the necessary procedures to ensure fair and transparent conduct of competitions without prejudice to the duties of the Oman Power and Water Procurement Company according to this Law and particularly those relating to the conclusion of contracts in respect of New Capacity and Output and Ancillary Services.

* Amended pursuant to Royal Decree (32/2012)

** Amended pursuant to Royal Decree (59/2009)

Article (81) If the outcome of the competition reveals that the Oman Power and Water Procurement Company is unable to contract for the relevant New Capacity and Output or that it is inappropriate for it to do so, and the Authority approves the same, then the Electricity Holding Company shall establish a new company in each case to contract for the New Capacity and Output with the Oman Power and Water Procurement Company in accordance with the conditions of the competition relating to each case, and the Authority may amend the conditions and prices in respect of the New Capacity and Output.

The Public Authority for Electricity and Water shall, after coordination with the Ministry of Finance*, have the right to decide the privatisation of any new company established in accordance with the above if the economic interest so requires**.

Article (82) Without prejudice to the provisions of any other Law each Licensed Transmission System Operator shall have the following functions, and powers and shall be subject to the following duties in accordance with the provisions of this Law and the conditions of his Licence:

- (a) To own finance, develop, operate and undertake to maintain the Transmission System pertaining to him in an effective and economic manner and to comply with the Transmission Systems Performance Security Standards;
- (b) To undertake not to discriminate in favour of any Person or against him in undertaking the regulated activities, and shall offer terms for Connection to his Transmission System and its use without discrimination;
- (c) To implement the instructions relating to International Interconnections pursuant to the provisions of Article (115) of this Law;
- (d) To comply with the provisions of the Licence in respect of the Grid Code rules;
- (e) To comply with the duty of Economic Purchase when procuring Ancillary Services, goods and other services;
- (f) To charge a Cost-Reflective Tariff to Persons whose Production Facilities, Premises or Systems are Connected with his Transmission System, and to Licensed Suppliers and Exemption Holders, for the use of its Transmission System.

It shall be prohibited to do the following:

- (a) To Connect any of the RAEC Systems without the approval of the Authority pursuant to the provisions of Article (88) of this Law;

* Amended pursuant to Royal Decree (32/2012)

**Amended pursuant to Royal Decree (59/2009)

- (b) The acquisition of Transmission assets from the Rural Areas Electricity Company other than in the manner provided for in the provisions of Article (88) of this Law.

Article (83) Each Licensed Transmission System Operator authorised to undertake Dispatch activities in cooperation with the Oman Power and Water Procurement Company shall be obliged to:

- (a) Develop and operate a central Dispatch system for Production Facilities which is consistent with the Merit Order in the manner stated in his Licence;
- (b) Notify the Public Authority for Electricity and Water* promptly of any outages of Desalinated water Production Capacity relating to Production Facilities Connected with his System provided he shall attach with such notice all information and data relating to the matter.

Article (84) Without prejudice to the provisions of any other Law, the Rural Areas Electricity Company shall have the following functions and powers and shall be subject to the following duties pursuant to the provisions of this Law and the conditions of its Licence:

- (a) To undertake to Supply electricity exclusively within the Authorised Area according to the Licence granted to it, and the company shall have the right to recover amounts due to it pursuant to this Law including charges for the Supply of electricity and also shall have the right to terminate Supply to a Customer who does not pay the Supply consideration;
- (b) To secure services in Rural Areas as to the establishment, ownership, construction, development, finance, operation and maintenance of the Production Facilities, and the New Capacity and Distribution and Transmission Systems in a secure and effective manner to enable it to meet all reasonable demands for electricity requested by Persons whose Premises are within the Authorised Area, are not Connected, or are not Eligible for Connection;
- (c) To sell Desalinated water produced in Production Facilities owned or operated by it to the Public Authority for Electricity and Water* and to charge a Bulk Supply Tariff to this authority in respect thereof;
- (d) To sell or dispose of all or part of its assets and Supply business or to transfer them pursuant to the provisions of Article (88) of this Law;

* Amended pursuant to Royal Decree (59/2009)

- (e) To cooperate with and provide information and data to the Public Authority for Electricity and Water*, and Licensees, in relation to the Total System planning, and the New Capacity planning, and to arrange for the procurement of the same;
- (f) To comply with the conditions of its Licence in relation to the Rural Systems Code and to become a party to the Grid Code and Distribution Code;
- (g) To undertake not to unduly discriminate without legal justification in favour of any Person or against them in undertaking its regulated activities, and to comply with the performance Security Standards relating to its Systems, and to manage and purchase goods and services on an Economic Purchase basis, and the applicable government policy in respect of the use and price of fuel;
- (h) To undertake to secure new Desalinated water capacity in the areas where the Rural Areas Electricity Company Supplies electricity if the Public Authority for Electricity and Water* deems there is a need to secure such capacity and the Ministry of Finance** approves the same, this is in cases where it has been agreed between the company and the Public Authority for Electricity and Water* to secure the abovementioned capacity combined with or co-located with electricity generation capacity in the same site, and in case of non agreement the Authority shall specify the manner by which the new capacity shall be secured;
- (i) Perform its functions in a manner to increase RAEC Connections and the Connection of Rural Premises to the Systems of other Licensees;
- (j) To offer surplus Production Capacity and Output to the Oman Power and Water Procurement Company but shall not offer such surplus to any company other than the aforementioned company without the approval of the Authority, and to comply with the prices approved by the Authority in respect thereof;
- (k) To meter quantities Supplied to Premises and to charge Permitted Tariffs for Supply of such quantities and RAEC Connection, and to submit the relevant Supply bill to the Customer, and to charge Cost-Reflective Tariffs for the use of RAEC Systems, and to publish any of such tariffs, as the case may be, and to take the procedures prescribed in this Law in case of default of the Customer in payment;

* Amended pursuant to Royal Decree (59/2009)

** Amended pursuant to Royal Decree (32/2012)

- (l) To contract for the Import and Export of electricity to and from the Sultanate of Oman in accordance with the provisions of Article (114) of this Law.

Article (85) The Rural Areas Electricity Company shall notify the Authority of any applications submitted to it for the Connection of Rural Premises or RAEC Connection and the Supply of electricity to Rural Premises. The Authority shall have the right to oblige any Licensed Transmission System Operator or Licensed Distribution System Operator to offer terms for Connection of the Rural Premises to his System, and the Authority shall decide, after consultation with the applicant for Connection, Connect the Rural Premises to the System of the Person who offers the best terms in which case the Rural Premises shall be Supplied by the Licensed Supplier in whose Authorised Area the Rural Premises are or would be situated. If it is revealed to the Authority that the Connection offer is not appropriate it shall have the right to oblige the Rural Areas Electricity Company to RAEC Connect such Premises and make Supply to it.

Article (86) The Rural Areas Electricity Company shall have the following duties;

- (a) To develop the methodology to enable Persons to calculate the cost of each individual connection with its System to be paid for Connection with its System;
- (b) Connect and Supply with its System the Premises of any Person in who's case the Permitted Tariff applies and also where the finance for RAEC Connection and Electrification Funding has been arranged, in accordance with regulations issued by the Authority specifying the manner in which such funding is to be expended;
- (c) To Connect with its System and Supply the Premises of any Person who agrees to pay a Cost-Reflective Tariff;
- (d) To comply with the regulations issued by the Authority for the manner in which finance for RAEC Connection and Electrification shall be expended, and the company shall consult with the relevant Licensed Transmission System Operator or Licensed Distribution System Operator in respect of Connection opportunities before submitting its proposals in relation to the finance of RAEC Connection and Electrification Funding.

Article (87) The required RAEC Connection and Electrification Funding shall be secured in accordance with the following procedures:

- (a) The Rural Areas Electricity Company shall submit its proposed budget for RAEC Connection and Electrification Funding after the same has been approved by the Authority, and that shall be in the times, and for the periods specified in its licence, to the Electricity Holding Company which shall submit such budget to the Public Authority for Electricity and Water for determination after

coordination in respect thereof with the Ministry of Finance*.

- (b) The Electricity Holding Company shall undertake to secure required RAEC Connection and Electrification Funding in accordance with the method determined by the latter company and that shall be in case the Public Authority for Electricity and Water has approved the funding budget pursuant to item (a) of this Article**.

Article (88) The Authority may:

- (1) Evaluate the advantages and disadvantages to the public interest in relation to transfer of any part of the Distribution or Supply business and/or assets of the Rural Areas Electricity Company to another Licensee or to a third party according to this Article as follows:
- (a) If an application for evaluation is submitted to the Authority which it finds reasonable, provided that the application is accompanied by a proposal from the applicant, or a demand from him on the suspension of the operation of an existing RAEC System by the RAEC, or for the Connection of an existing or proposed RAEC System, or if such company or any Licensed Transmission System Operator or Licensed Distribution System Operator has previously submitted a similar proposal;
- (b) The Authority shall make the aforementioned evaluation if any of the following Persons make such a request:
- (1) A Licensed Distribution System Operator, a Licensed Transmission System Operator, or a Licensed Supplier;
- (2) The Rural Areas Electricity Company;
- (3) The Oman Power and Water Procurement Company;
- (4) The Public Authority for Electricity and Water**.

* Amended pursuant to Royal Decree (32/2012)

** Amended pursuant to Royal Decree (59/2009)

- (2)
- (a) Oblige the applicant or requesting Person and all relevant Licensees to provide to it such information, data, and analysis to enable it to make the evaluation including forecasts of load density, the number of Customers intended to be Connected to the relevant System, and the future growth in demand, and all associated capital expenditure;
 - (b) The Authority shall investigate and take into account all relevant circumstances and remarks provided to it by the concerned Persons and shall adopt suitable criteria for evaluation in relation to the application, request, or proposal, including consultation with concerned Persons;
 - (c) The Authority shall develop criteria to be relied upon in evaluating the potential advantages and disadvantages to the public interest in relation to the above-mentioned transfer and to furnish a copy of such criteria to the Public Authority for Electricity and Water*.
- (3)
- (a) The Authority shall issue a decision in the light of the evaluation made by it whether or not to suspend the operation of the relevant RAEC System and/or whether the Connection proposed to it should proceed. If it decides that the Connection should not proceed then it shall not proceed, and if the Connection has been made notwithstanding the decision of the Authority the Connection shall be considered as unlawful and the Competent Authorities may take the necessary measures in respect thereof;
 - (b) If the Authority decides that the proposed Connection shall be made, or that the unlawful Connection shall continue, or that the Rural Areas Electricity Company shall undertake to suspended the RAEC System, then the relevant assets and/or business of the Rural Areas Electricity Company shall be transferred to a Licensed Transmission System Operator, or a Licensed Distribution System Operator, a Licensed Supplier or a third party;

* Amended pursuant to Royal Decree (59/2009)

- (c) The Authority shall have the right to decide either that the Connection shall proceed or the transfer of the relevant assets and business be effected without the conduct of a competition, or that they should proceed after a competition, and it shall have the right to decide either that the Connection shall be made or the transfer of assets or business be effected in the aforementioned manner and according to the following:
- (i) Where it determines that the Connection and/or transfer be effected without a competition, it shall specify the Licensee who shall make the Connection and/or to whom the transfer will be effected, and shall direct the Rural Areas Electricity Company to transfer the relevant part assets and/or business, to such Licensee;
 - (ii) If the Authority decides that a competition shall be conducted, such competition shall be open to all Licensed Distributors and Licensed Suppliers under the supervision of the Public Authority for Electricity and Water*, which decides matters relating to the competition and provide the opportunity to Appropriate Persons to participate, and the Rural Areas Electricity Company and other Licensees shall submit to the Public Authority for Electricity and Water* the necessary information, documents and studies relating to such competition.

The Rural Areas Electricity Company shall conclude necessary agreements to implement the outcome of the competition in relation to the Connection and/or transfer of business in accordance with the manner specified by the Authority.

* Amended pursuant to Royal Decree (59/2009)

- (d) If the Ministry of Finance*, based on the opinion of the Authority, decides that the competition has failed as it has not achieved an acceptable result, then the Authority shall decide whether or not the Connection should still proceed and specify which Licensee should be required to make the Connection and also which Licensee should be required to accept the relevant transfer of business, and take necessary action including the modification of Licenses granted to the Rural Areas Electricity Company and the Licensee affected by the aforementioned transfer including the amendment of Authorised Areas.

The transfer shall not be considered complete except after such modifications have been made.

- (e) Each Transmission Licence Holder, Distribution Licence Holder or Supply Licence Holder shall comply with the instructions issued to him in relation to the transfer of business in accordance with the above-mentioned provisions, and the transfer of Distribution assets shall be made together with the related Supply business of the Rural Areas Electricity Company to one transferee.

- (f) The consideration which shall be payable by the transferee according to the provisions of this Article shall be in accordance with the following:

- (i) The price determined by the competition where a competition ends successfully;
- (ii) One (1) Omani Rial in consideration of any of the assets or business transferred to him from the Rural Areas Electricity Company in case of failure of competition.

The Public Authority for Electricity and Water** in consultation with the Authority may agree with the transferee otherwise.

- (g) The returns of the Licensee from the assets or business transferred from the Rural Areas Electricity Company shall be on the basis of the price paid by the Licensee for such assets and/or business, and the Authority shall guarantee that any return in excess of or less than the permitted return shall be reimbursed to the Ministry of Finance or the Licensee, as the case may be.

* Amended pursuant to Royal Decree (32/2012)

** Amended pursuant to Royal Decree (59/2009)

All being in the manner specified in the Licence and in accordance with the provisions of this Law.

Article (89) Without prejudice to the provisions of any other Law each Licensed Generator, Licensed Generator/ Desalinator or Licensed Desalinator* shall have the following rights, powers and shall be subject to the following duties:

- (a) To construct the Production Facilities specified in the Licence granted to him, and to own, finance, operate and maintain them provided that the operation and maintenance shall be in a safe manner;
- (b) To sell the Production Capacity and Output of his Production Facilities exclusively to the Oman Power and Water Procurement Company;
- (c) To become a party to the Grid Code and any Distribution Code if the Licensee's Production Facilities are Connected to a Distribution System, and to comply with such Codes;
- (d) To subject the Production Facilities Connected to the System of a Licensed Transmission System Operator to the central Dispatch system requirements and merit order, or, subject them to the requirements of the Licensed Transmission System Operator with which a Distribution System is Connected where its Production Facilities are Connected with such Distribution System;
- (e) To subject their Production Facilities to the procedures relating to the issuance of instructions for the commencement and cessation of their operation as may be required by the operator of the water system to which their Production Facilities are connected*.

All of the above shall be in the manner specified in the Licence in accordance with the provisions of this Law.

Article (90) Without prejudice to the provisions of any other Law the Licensed Distribution System Operator shall have the following rights and powers and shall be subject to the following duties:

- (a) Undertake to finance, operate, maintain, develop and expand the Distribution System owned by him in a safe manner and in accordance with the relevant performance Security Standards, and shall offer terms for Connection with the Distribution System and use of the System on a non-discriminatory basis and equal opportunity;

* Added pursuant to Royal Decree (47/2013)

- (b) To charge the Permitted Tariff or Cost-Reflective Tariff for Connection to its Distribution System, and shall have the right to disconnect services from the Customers who do not pay amounts due to it or to a Licensed Supplier;
- (c) To become a party to the Grid Code, and to implement, publish, develop and amend a Distribution Code;
- (d) To charge a Cost-Reflective Tariff to Persons Licensed to Supply from his System;
- (e) Not to Connect an RAEC System without the approval of the Authority;
- (f) To acquire any Distribution assets from the Rural Areas Electricity Company in accordance with the manner specified by the Authority pursuant to Article (88) of this Law;
- (g) Undertake not to discriminate without legal justification in favour or against any Person when undertaking its regulated activities;
- (h) Undertake to design, construct, develop, own, operate and maintain International Interconnections in accordance with Article (115) of this Law;
- (i) To purchase all goods and services and manage them on the basis of Economic Purchase.

All being in the manner specified in the Licence according to the provisions of this Law.

Article (91) Without prejudice to the provisions of any other Law the Licensed Supplier shall have the following rights and powers and shall be subject to the following duties:

- (a) To meet all reasonable demand for the Supply of electricity to Premises located within its Authorised Area, which are Connected to a Distribution or Transmission System on a non-discriminatory basis, and he shall publish the Permitted Tariff and Cost-Reflective Tariff;
- (b) To arrange for the meter reading and to submit bills to Customers and to collect amounts due to it in accordance with the conditions of its Licence;
- (c) To pay a Licensed Transmission System Operator or a Licensed Distribution System Operator, in consideration for the use of the System, as the case may be;
- (d) Not to acquire electricity other than from the Oman Power and Water Procurement Company and shall act as the agent of the Oman Power and Water Procurement Company in relation to the purchase of the Output of Autogenerators;

- (e) Undertake not to discriminate without legal justification in favour or against any Person when undertaking his regulated activities;
- (f) To purchase and manage all goods and services on an Economic Purchase basis;
- (g) To charge Permitted Tariffs and Cost-Reflective Tariffs in consideration of all Supplies made by it according to the Licence granted to him; and shall have the right to take all proscribed procedures in this Law in case of Customers who default on payment, including the termination of Supply;
- (h) To acquire Supply business from the Rural Areas Electricity Company in the manner specified by the Authority.

All being in the manner specified in the Licence according to the provisions of this Law.

Part IV

Conversion to Companies and the Transfer Scheme

Article (92) The Ministry of Finance* shall implement the Transfer Scheme within a period not exceeding six months from the date of the publication of this Law in the Official Gazette, and it may extend such period for not more than three months.

Article (93) The Ministry of Housing may in accordance with the provisions of the Law Organizing the Usufruct of the Lands of the Sultanate, grant the Companies stipulated in Article (66) of this law or the licensees pursuant to its provisions on the request of either of them, a usufruct right on the State lands it requires in future in order to implement projects which are subject to regulation pursuant to the provisions of this law** .

Article (94) As an exception from the provisions of articles (18) and (19) of the abovementioned Financial Law all Relevant Assets and Liabilities shall be subject to Transfer.

The procedures taken pursuant to the Transfer Scheme, including those relating to all Relevant Assets and Liabilities or any of them, shall be binding on all Persons without the need for the consent of any other Person.

Article (95) The date of the commencement of Transfer shall not exceed 30 days from the date of enactment of the Transfer Scheme and each Transfer shall be effective as from the date of Transfer prescribed pursuant to the Transfer Scheme, as amended in accordance with the provisions of Article (98) of this Law.

The Transfer Scheme may include determination of the regulations and dates for the implementation of the accounts relating to the Electricity Holding Company and the other companies stipulated in Article (66) of this Law, other than the dates fixed pursuant to the provisions of this Article, and other items relating to such accounts.

Article (96) The Ministry of Housing** shall within a period not exceeding 28 days after the completion of any Transfer notify any Person who has rights or liabilities which thereby become enforceable all or in part against or in favour of the successor transferee.

This Ministry and other Ministries and any of the Transferees shall conclude the required agreements and contracts and take all measures necessary to identify the properties, rights, and liabilities including interests in land Transferred pursuant to the Transfer Scheme.

* Amended Pursuant to Royal Decree (32/2012)

** Amended pursuant to Royal Decree (59/2009)

Article (97) The provisions of the agreements and contracts relating to the Transferred property, or rights or liabilities which were concluded by the Ministry of Housing* before the Transfer Date shall apply to the Successor Entity with the same terms, measures, and conditions vested in the Principal. And the Transfer pursuant to the Transfer Scheme shall not affect the treatment prescribed in respect of the subject matter of the Transfer as regards taxes and fees.

Article (98) The Ministry of Finance** may after consultation with the Ministry of Housing*, modify the Transfer Scheme within a period not exceeding 12 months from the Transfer Date.

The Modifications may not include the Transfer of assets or liabilities except between a Successor Entity and another who are both Wholly-owned by the Government at the time of making the modifications, or may not have an adverse effect on other Persons, and any modification as above mentioned shall be deemed an integral part of the Transfer Scheme.

The Ministry of Finance** shall coordinate with the Ministry of Housing* if the modifications include the Transfer of any assets or liabilities of Ministry of Housing*.

* Amended pursuant to Royal Decree (59/2009)

** Amended pursuant to Royal Decree (32/2012)

Part V
Licenses and Exemptions

Article (99) The Authority wherever the public interest requires shall have the right to grant combined Licenses for different regulated activities within the limits prescribed in this Law.

Article (100) The grant of Licenses or Exemptions shall be on the basis of an application to be submitted to the Authority, which shall specify its form and procedures for submitting it, and the application shall be accompanied by such documents, information, and particulars required for the issue of the Licence or Exemption and the evaluation of the application, and the application fees fixed by the Authority shall be paid, and the Authority shall comply with the technical and objective criteria required for the issue of a Licence or grant of an Exemption to Appropriate Persons.

Article (101) The grant of a Licence or Exemption to undertake any of the regulated activities shall not be in lieu of obtaining the approval or authorizations imposed by prevailing laws, and the Authority is obliged to furnish the necessary particulars or information to the official authorities to enable them to issue such approvals or authorizations.

Article (102) The Authority shall at least 30 days before issuing any Licence or approving any Exemption publish in two local daily newspapers, one of which is in the Arabic language, and in any manner deemed reasonable by the Authority, a Notice concerning:

- (a) The Person to whom the issue of Licence or grant of Exemption is intended;
- (b) The reasons for issuing the Licence or granting the Exemption;
- (c) The period within which remarks and objections in relation to the issue of the Licence or grant of the Exemption may be submitted, which period shall not be less than 28 days from the date of publication of the Notice;
- (d) The particulars and conditions of the Exemption proposed to be granted.

The provisions of paragraphs (a),(b),(c),(d), shall not apply to the Licenses issued to the companies stipulated in Article (66) of this Law.

It shall also not apply to the Licenses issued to the following companies:

- (i) United Power Company SAOG;
- (ii) Al Kamil Power Company SAOC;
- (iii) AES Barka Company SAOC.

And it shall also not apply to any Exemption granted on the Transfer Date.

- Article (103) The Authority shall publish a Notice stating the particulars of any Licence granted in two daily newspapers, one of them in the Arabic language, and any other manners deemed reasonable by the Authority.
- Article (104) The Licence or Exemption shall be in the form prepared by the Authority for this purpose, which shall include the period during which the Licence and Exemption shall be valid, and the conditions stipulated in this Law.
- Article (105) It shall not be permissible to transfer the Licence or Exemption unless otherwise provided for in the Licence or Exemption, the written approval of the Authority is a condition precedent to make such transfer according to the conditions specified by the Authority.
- Article (106) It shall not be permissible for any of the Licensees, without obtaining the prior written approval of the Authority:
- (a) To create or agree to create any security over any of its assets or liabilities;
 - (b) To create or agree to create, or relinquish or agree to relinquish, any interest used by it in relation to the Licensed Activity.
- Article (107) Any transaction made in violation of the provisions of the two preceding Articles shall be null and void.
- Article (108) Each of the following shall be Exempt:
- (a) The Ministry of Defence, Royal Oman Police, and government Security Forces from obtaining a Licensed as long as the regulated activity is undertaken for the purposes of Self-Supply;
 - (b) Autogenerators from obtaining a Licence as long as the activity undertaken is for the purposes of Self-Supply.

In order to Exempt an Autogenerator the following conditions shall be satisfied:

- (a) The aggregate of installed Generation Production Capacity shall not exceed 25 Megawatts, and for Desalination Production Capacity 4,545 cubic metres per day;
- (b) The System of such Autogenerator or its Production Facilities are not Connected to the System of any Licensee or if Connected the Connection and the Production Facilities of such Autogenerator or his System are incapable of delivering electricity to the Licensee's System to which it is Connected;

- (c) The Production Facilities for water Desalination of such Autogenerator and his other related equipment are not connected with any water equipment owned or operated by the Public Authority for Electricity and Water* or the Rural Areas Electricity Company.

Article (109) The Authority shall have the right to modify the conditions of any Licence when the public interest so requires according to the following procedures:

- (a) The Authority shall publish a Notice for making the proposed modification at least 30 days before making such modification stating the reasons and effects of such modification and determining a period not less than 28 days for the submission of objections in respect of the modification, and the Authority shall take into consideration objections submitted to it;
- (b) If the Licensee agrees to the modification intended to be made the Authority shall make the modification provided that the modification shall have effect in a period not exceeding 30 days of the publication of the Notice in accordance with the above, and if the Licensee objects to the making of the modification the Appeal shall be settled pursuant to the provisions of this Law, and if the Appeal determines that the modification shall be made, it shall be made and come into force on the day following the settlement of the Appeal;
- (c) The Authority shall publish the modification intended to be made to any Licence in two local daily newspapers, one of them in the Arabic language, and the Authority shall have the right to publish such Notice in any other reasonable manner, and shall publish the modification made in the same manner.

Article (110) The Licence shall contain the conditions specified by the Authority and shall include the following:

- (a) The duty of the Licensee to abide by government policy in respect of Omanisation and the protection of the Environment;
- (b) The duties of Licensees specified in this Law and the manner in which they are to be performed;
- (c) A prohibition on the Licensee to transfer his Licence and create security on its assets or liabilities without obtaining the prior written approval of the Authority;

* Amended pursuant to Royal Decree (59/2009)

- (d) A prohibition on the Licensee or any affiliates, other than the government and any entity Wholly-owned by the Government, without the prior written approval of the Authority, to own shares or have an economic interest of whatever kind in any other Licensee or its affiliates. This is with exception to the interests which a Licensed Supplier has in the services of the Licensed Distribution System Operator who uses its System for Supply, or vice versa;
- (e) The obligation of the Licensee to exchange information with other Licensees and to comply with the request of the Authority by virtue of a Notice to submit any documents and any information whether it is in the possession of the Licensee or under its control in the manner and times specified by the Authority in this context.

An Exemption shall include the same obligations prescribed in this paragraph;

- (f) The provision to resort to the competent court to oblige a Licensee or Exemption Holder who does not comply with the obligations prescribed in paragraph (e) above;
- (g) The activities from which the Licensee is prohibited from undertaking.

Article (111) A Licence may contain the following conditions:

- (a) Placing a duty on the Licensee to contract with any Person for the purposes specified in the Licence together with a statement of the manner and procedure and conditions of such contracting;
- (b) Determination of the conditions for Licence suspension or modification and the time and manner stated in such conditions;
- (c) To oblige the Licensee to pay fees payable to the Authority on issuance of the Licence and the annual fees during its validity period;
- (d) All that is relevant to the revocation of the Licence;
- (e) To determine the manner by which the Licensee undertakes the licensed activity, and all specific matters arising from the Licence, and the actions required to be taken according to the Licence for the decision or approval of the Authority or its nominee, and the obligation to submit to such nominee and the Authority the documents, information and studies sought from the Licensee;
- (f) To oblige the Licensee to maintain separate accounts in the manner required by the Authority for the separate businesses of the Licensee.

Article (112) Without prejudice to the provisions of the two preceding Articles:

- (1) The Oman Power and Water Procurement Company Licence shall contain the following conditions:
 - (a) A provision for a prohibition on the company not to undertake any regulated activity except those specified in its Licence;
 - (b) A provision for the calculation of the Bulk Supply Tariff and its review from time to time;
 - (c) A provision to oblige the company to cooperate with the Licensed Suppliers who contract on its behalf with Autogenerators in relation to Output in regard to the conditions of such agency contracts and other contract conditions relating to Supply.
- (2) The Generation Licence and Generation/Desalination Licence shall contain the following conditions:
 - (a) A provision to oblige the Licensee to ensure that his Production Facilities meet all reasonable requirements for central scheduling and Dispatch;
 - (b) A provision to oblige the Licensee to offer terms for securing Ancillary Services and to restrict the powers granted pursuant to the Licence to specified Production Facilities and/or specific Production Capacity;
 - (c) A provision to permit the imposition of restrictions on the percentage of total market share for Generation and/or Generation/Desalination whether in respect of the Licensee and its affiliates and related commercial projects.
- (2)(bis) The Desalination Licence shall contain the following conditions:
 - (a) A provision to restrict the powers conferred by the Licence to specified Production Facilities and/or specified Production Capacity;
 - (b) A provision to permit the imposition of restrictions on the percentage of total market share for water Desalination whether in respect of the licensee or its affiliates and related commercial projects*.

* Added pursuant to Royal Decree (47/2013)

- (3) The Transmission Licence shall contain the following conditions:
- (a) A provision for the manner in which the Authority sets out tariffs for Connection to and use of the Licensee's System and the issue and modification of such tariffs;
 - (b) A provision to develop and/or operate International Interconnections if the Law permits him to do so, and a provision for the prohibition on the Licensee from undertaking any activity other than the Transmission of electricity and the operation of a system for the Dispatch of Production Facilities, and also a prohibition on the disposal of assets required for undertaking the regulated activities without obtaining the prior written approval of the Authority;
 - (c) Determination of the manner and conditions of the Connection of Rural Premises and the Connection of RAEC Systems and the acquisition of the assets of the Rural Areas Electricity Company.
- (4) The Distribution Licence shall include the following conditions:
- (a) A provision for the prohibition on the Licensee undertaking any regulated activity other than the operation of a Distribution System and the Operation of an International Interconnection, and the transfer of assets which are necessary for the undertaking of the regulated activities without obtaining the prior written approval of the Authority;
 - (b) A provision for the manner in which the Authority sets out tariffs for Connection to and use of the Licensee's System and the issue and modification of such tariffs;
 - (c) Determination of the manner and conditions of the Connection of Rural Premises and the Connection of RAEC Systems and the acquisition of the assets of the Rural Areas Electricity Company.
- (5) The Supply Licence shall contain the following conditions:
- (a) A provision to oblige the Licensee to prepare Supply conditions to be approved by the Authority and also to offer standard Supply conditions to specified classes of Persons;
 - (b) A provision for the determination of Permitted Tariffs to be charged by the Licensee to different classes of Customers;

- (c) A provision to oblige the Licensee to publish the adopted codes of practice containing procedures for the payment of bills by Customers, and the conditions for disconnecting a defaulting Customer, and the services to be provided to the elderly and disabled, and the efficient use of electricity; and the system for handling complaints;
- (d) A provision to oblige the Licensee to provide information relating to electricity demand forecasts to other Licensees in accordance with the Grid Code and Distribution Code;
- (e) A provision to oblige the Licensee to acquire Supply business from the Rural Areas Electricity Company in accordance with the instructions of the Authority in respect thereof;
- (f) A provision to oblige the Licensee to contract on behalf of the Oman Power and Water Procurement Company for the purchase of the surplus Output of Autogenerators.

Article (113) Without prejudice to the provisions of this Law the Rural Areas Electricity Company Licence shall contain the following:

- (a) A provision to oblige the company to transfer its assets and Supply business in accordance with the instructions issued by the Authority in respect thereof;
- (b) A detailed provision for the arrangements required for RAEC Connection and Electrification Funding.

- Article (114) The Authority shall when granting a Licence for the Import or Export of electricity observe the following:
- (a) The Authority shall not be permitted to grant a Licence to Import and/or Export electricity, or modify an existing Licence in order to include any such Import and/or Export across an International Interconnector with a capacity of 33 kV or more, or such other limit decided by the Council of Ministers, unless after obtaining the approval of the Council in respect of such Import and/or Export based on the recommendation of the Public Authority for Electricity and Water;
 - (b) The Licence shall exclusively be granted to the Oman Power and Water Procurement Company or the Rural Areas Electricity Company;
 - (c) The Licence shall contain those conditions (if any) which have to be included pursuant to a recommendation made by the Public Authority for Electricity and Water* and approved by the Council of Ministers;
 - (d) The aforesaid Licence may include other conditions specified by the Authority to deal with the manner in which the Licensee shall observe the relevant arrangements in respect of the performance of his duties pursuant to this Law;
 - (e) The Authority shall consider the following:
 - (i) The proposed conditions for Import and Export as to the price and other matters and the creditworthiness of the Person to whom Export of electricity is intended to be made;
 - (ii) Whether any contracting for Import or Export pursuant to a Licence shall be on an interruptible basis;
 - (iii) The extent of the effect which the Import or Export may have on the ability of the Oman Power and Water Procurement Company to fulfil its obligations particularly those in respect of ensuring that reasonable demand for electricity is met, and the effect on the fuel supply market in the Sultanate of Oman;
 - (f) The Public Authority for Electricity and Water* shall consult with each of the Authority and the Electricity Holding Company before submitting its recommendations stipulated in paragraphs (a) and (c) to the Council of Ministers.

* Amended pursuant to Royal Decree (59/2009)

Article (115) The Authority shall before granting a Licence to make an International Interconnection, consider the following:

- (a) The Authority shall not be permitted to grant a Licence to make a new International Interconnection or modify an existing Licence where the proposed International Interconnection will have a capacity of 33 kV or more, or such other limit decided by the Council of Ministers, without the approval of the Council of Ministers for the Import or Export of electricity across means of an International Interconnection pursuant to the provisions of the preceding Article;
- (b) The Licence shall exclusively be granted to a Licensed Transmission System Operator, a Licensed Distribution System Operator, or the Rural Areas Electricity Company;
- (c) A Licence to develop and/or operate an International Interconnection shall contain such conditions that have been approved by the Council of Ministers on the basis of the recommendation of the Public Authority for Electricity and Water* which shall have consulted with the Authority and the Electricity Holding Company before making and submitting such recommendation to the Council of Ministers;
- (d) The aforesaid Licence may include other conditions specified by the Authority to deal with the manner in which the Licensee shall observe the relevant arrangements in respect of his performance of his duties pursuant to this Law;
- (e) The Authority shall, when granting the aforesaid Licence, observe the possible effects on the Total System and on the ability of the Licence Holder to fulfil his duties prescribed pursuant to this Law.

Article (116) If it is revealed to the Authority that a Licensee or Exemption Holder is violating or likely to violate a condition of the Licence or Exemption, or any of the duties imposed on him pursuant to the provisions of this Law, the Authority shall serve a written warning on him to cease the violation or not to violate, or to fulfil the duty imposed on him, within a specified period as the case may be, provided the warning shall include the measures which the Authority will take in case the Licensee does not fulfil the duty imposed on him promptly on the expiry of the warning period, and if the situation is not rectified within the period specified in the warning the Authority shall have the right to take whatever it deems reasonable to ensure compliance with the provisions of this Law and the conditions of a Licence or Exemption.

* Amended pursuant to Royal Decree (59/2009)

Article (117) The Authority shall not be permitted to issue the decision abovementioned in the preceding Article if the Licence Holder or Exemption Holder has consented to and commenced to take the measures deemed necessary by the Authority in this respect, or if the Authority considers that the violation is trivial.

The Authority may cancel any decision issued by it provided that it shall notify the Person to whom the decision has been served in the manner in which the decision was served, and the Authority may also modify the decision provided the modification shall be made by the consent of the relevant Person or after the expiry of the period specified by the Authority for relevant Persons to submit their objections and remarks.

Article (118) The Authority shall include in the warning stipulated in Article (116) the following:

- (a) Particulars of the relevant violation, and the intention of the Authority to issue a decision in this respect together with an explanation of the consequent effects arising from the issue of the decision;
- (b) Determination of the period in which relevant Persons shall submit to the Authority their remarks and objections against the decision in the light of the consequences arising from the violation;
- (c) Any other facts relating to this matter, which the Authority deems necessary, and the Authority shall consider the remarks and objections submitted to it before issuing its decision.

Article (119) The Authority may include in the decision issued by it pursuant to Article (116) of this Law the following:

- (a) The fine considered reasonable by the Authority;
- (b) Compensation to the Persons affected by the occurrence of the relevant violation in the amount and at the times specified by the Authority in the decision.

The total fine and compensation imposed shall be proportionate to the violation and the damages caused by it to Persons or with respect to the public interest.

Article (120) The Authority shall send to the Licence Holder or Exemption Holder a copy of any decision issued against him or the cancellation or modification of such decisions, as the case may be, and shall publish the decisions or cancellations in the manner it deems reasonable, and the decision issued by the Authority shall be in force with immediate effect and the Licence Holder or Exemption Holder shall comply with it subject to the provisions of this Law.

Article (121) The Authority shall have the right to revoke a Licence or Exemption in case the Holder of a Licence or Exemption abstains from implementing the decisions issued by the Authority in respect of the violations as above mentioned, subject to the following procedures:

- (a) To coordinate with the Ministry of Finance* before notifying the Transmission or Distribution Licence Holder of the revocation within a period specified by the Authority;
- (b) To coordinate with the Ministry of Finance* before notifying the revocation of the Exemption if the relevant circumstances relating to the Exemption have changed whether these circumstances relate to the Exemption Holder or the electricity and/or Related Water sector, as the case may be;
- (c) The Authority shall notify the Licensee of its intention to revoke a Licence or Exemption at least 30 days before the revocation date, provided the notification shall include the reasons for issuing the decision to revoke and the period to be specified by the Authority for the submission of remarks and objections which shall be not less than 28 days from the date of such notification.

The Authority shall decide on the remarks and objections submitted to it and make a reply to the Person submitting them within 30 days of the date of its submission.

Article (122) In the event of a revocation of any Transmission Licence or Distribution Licence pursuant to the provisions of the preceding Article (121):

- (a) The Licensee shall have the right within the nine-months following the receipt of notice revoking the Licence, to dispose of the assets and business relating to the regulated activities after the approval of the Authority, and the Public Authority for Electricity and Water** may extend the abovementioned period for not more than a further three months, and also may appoint an Appropriate Person, to operate, manage, and maintain the aforementioned assets and business and to preserve them until the expiry of the period specified for the disposal;

* Amended pursuant to Royal Decree (32/2012)

** Amended pursuant to Royal Decree (59/2009)

- (b) The Licensee shall reimburse the Public Authority for Electricity and Water* for all costs and expenses incurred in the appointment of the Appropriate Person to undertake the aforementioned in the preceding paragraph, provided such costs shall include whatever arises from additional investment required to rectify any violation by the Licensee of the conditions of his Licence;
- (c) If the assets of the Licensee have not been disposed of within the period specified in paragraph (a) the Public Authority for Electricity and Water* shall seize all the assets of the Licensee required for the proper implementation of the conditions of his Licence, and shall appoint an interim operator for such assets; and shall endeavour to sell such assets and business to a private sector entity which shall be an Appropriate Person within a period not exceeding two years from the date of seizure;
- (d) If the Licensee disposes of his assets or business in compliance with the provisions of paragraph (a) the Licensee or the Public Authority for Electricity and Water* shall have no claim against each other for any amounts pursuant to this Article;
- (e) If the Public Authority for Electricity and Water* is unable to sell the assets or business seized in accordance with paragraph (c) within the two-year period the Licensee is not entitled to claim any amounts according to this Article;
- (f) If the Public Authority for Electricity and Water* sells the abovementioned assets and business within the two-year period, it shall pay to the Licensee the proceeds of such sale after deducting 15 per cent and the costs and expenses stipulated in paragraph (b) and the cost of conducting the sale transaction, and also the amounts resulting from the rectification of the violation of the Licence conditions.

* Amended pursuant to Royal Decree (59/2009)

- Article (122)(bis) A decision to approve and publish the criteria for designation of projects as Research and Development Projects shall be issued by the Public Authority for Electricity and Water after coordination with the Authority. The said decision shall determine the method of publication*.
- Article(122)(bis)(1) The application for investment in a Research and Development Project shall be submitted by relevant Persons to the Authority in accordance with the rules and procedures determined by the Authority pursuant to a decision issued by it in this regard. The Authority shall consider the application in coordination with the Public Authority for Electricity and Water to ascertain the extent to which the project satisfies the criteria stipulated in the preceding Article. In the event it has decided that the project has satisfied such criteria, the decision shall be made by the Authority to approve the project as a Development and Research Project. Such decision shall include a statement of the nature and location of the project, everything that relates to it, the manner of its execution and operation, the progress of work on it and the preparation of relevant reports and the manner of their publication.
- The Public Authority for Electricity and Water may provide necessary funding for execution of the project in accordance with the conditions determined by a decision issued by it for this purpose*.
- Article (122)(bis)(2) If the approved Research and Development Project relates to a new Production Capacity, the Authority may after consultation with the licensees and exemption holders whose interests are expected to be affected as a result of implementation of the project, take any of the following actions:
- (a) offer the project for competition through the Oman Power and Water Procurement Company or the Rural Areas Electricity Company and state the details of such competition.
 - (b) contract directly for implementation of the project with the person designated by it and that shall be through one of the two companies mentioned in the preceding Clause and pursuant to the rules, basis and financial arrangements determined by it.

* Added pursuant to Royal Decree (59/2009)

In all cases, the Authority must issue a decision specifying the procedures that licensees shall follow pursuant to the provision of this law with respect to the Production Capacity or Output of the project after its completion, or any other characteristic related to it*.

* Added pursuant to Royal Decree (59/2009)

Part VI
Disputes and Appeals

- Article (123) Without prejudice to a specific provision stipulated in this Law, the Competent Omani Court shall have jurisdiction to decide on disputes arising from the application of the provisions of this Law.
- Article (124) It shall not be permissible for any Person to initiate procedures for Judicial claim against any of the Licensees or Exemption Holders by reason of the violation of a condition of the Licence or Exemption or breach of the duties imposed on any of them pursuant to the provisions of this Law except after submitting the claim to the Authority to oblige the Licence Holder or Exemption Holder to perform a duty or take whatever the Authority considers adequate to remedy or eliminate the violation.
- Article (125) The following Persons shall have the right to Appeal against the decisions or measures issued by the Authority before the Competent Authorities pursuant to the provisions of this Law and the legislation enforceable in the Sultanate of Oman:
- (a) Any applicant for, or Holder of, a Licence or Exemption;
 - (b) The Salalah Project Company;
 - (c) Any Person whose interest is affected by the decision or measure.
- Article (126) The judgement, whether from the Court or the arbitration tribunal, on the Appeal shall be issued containing its reasons and the Court or arbitration tribunal, as the case may be, shall have the right to order the following:
- (a) To oblige the government to pay the appropriate compensation in the event of a decision issued relating to the seizure of assets pursuant to the provisions of Article (122) of this Law, and the calculation of the compensation shall be in accordance with the principles stipulated in the mentioned Article;
 - (b) Oblige the government or the Authority to issue, or abstain from issuing, a decision or measure in conformity with the provisions of this Law, provided if the matter relates to the imposition of a fine by a Court or arbitration tribunal, the value of the fine shall not exceed the maximum limit determined by the Authority.
- Article (127) The Competent Omani Court shall have exclusive jurisdiction to consider the following:
- (1) Appeals made by an entity Wholly-owned by the Government;
 - (2) Appeals relating to decisions or measures that only affect a company or companies Wholly-owned by the Government;

- (3) Appeals against decisions or measures relating to Street-works.

Article (128) The Competent Omani Court or arbitration tribunal shall have exclusive jurisdiction to consider the following Appeals:

- (1) Appeals relating to decisions and measures issued by the Authority in respect of determining Cost-Reflective Tariffs;
- (2) Appeals relating to the seizure of assets pursuant to Article (122) of this Law, including matters relating to the amount of compensation and/or payment.

The Appellant may not withdraw his decision to resort to the Court or arbitration at his discretion.

The challenge of the jurisdiction of the entity chosen by the Appellate in this case shall not be accepted.

Article (129) Without prejudice to the provisions of Articles (127) and (128) above, the Appellant in Appeals other than those stipulated in the two Articles, may resort to the Competent Omani Court or arbitration tribunals if the Value-test condition is met.

Article (130) The institution of an Appeal against a decision issued by the Authority shall not result in the suspension of the decision unless the Appellate authority decides to suspend the enforcement of the decision.

Article (131) Any arbitration conducted pursuant to the provisions of this Law shall be in the city of Muscat pursuant to the laws of the Sultanate of Oman, and in accordance with the rules of arbitration of the International Chamber of Commerce as amended, and the documents submitted to an arbitration tribunal shall be treated as confidential or non-confidential according to the discretion of the Authority. This is without prejudice to the right of the Courts and arbitration tribunals to peruse such documents according to the law.

Part VII
Offences and Punishment

Article (132) It shall be an offence for any Person to commit any of the following acts:

- (a) To tamper with any Electric Plants, Electric Lines or other electrical equipment, including meters, and the deliberate destruction or distortion of any documents or information required to be submitted pursuant to Article (147) of this Law;
- (b) The submission of information or data knowing that they are inaccurate with the intention of misleading the Authority, when applying for the issue of a Licence or grant of an Exemption;
- (c) The violation of the provisions of Article (4) of this Law;
- (d) To undertake alone or in participation with others any matters which result in the prevention or restriction of competition in respect of all or any of the regulated activities, and the electricity and Related Water market, in a manner leading to the causation of considerable damage to the interests of Customers;
- (e) Import or Export electricity and develop or operate any International Interconnection contrary to the provisions of Article (114) and Article (115) of this Law, or in violation of the Street-works regulations;
- (f) The violation of the provisions of Article (12), Article (60) or Article (61) of this Law.

Article (133) Without prejudice to any more severe punishment stipulated by another law, whoever commits any of the acts provided for in the preceding Article shall be punished by imprisonment for a period not exceeding three years and a fine not exceeding 50,000 Omani Rials, or by one of them.

Part VIII
Transitional and Final Provisions

Article (134) The Ministry of Housing* and any Person undertaking a regulated activity on the date of enforcement of this Law shall continue to undertake the activity until the Transfer Date.

Article (135) The Public Authority for Electricity and Water* shall have the following duties and functions:

- (a) To cooperate with the Ministry of Finance** in the implementation of the Transfer Scheme in order to distribute and Transfer the Relevant Assets and Liabilities pursuant to the provisions of this Law;
- (b) To identify its forecasts in respect of demand for Desalinated water on a short, medium and long term basis and to provide the Oman Power and Water Procurement Company and the Rural Areas Electricity Company with such forecasts, and with any information about the demand for New Capacity for Desalinated water required by either company to enable them to fulfil their duties in respect of the procurement of New Capacity for Desalinated water;
- (c) To coordinate with the Ministry of Finance** in respect of its forecasts in relation to the required amount of new Production Capacity for Desalinated water;
- (d) To pay the Bulk Supply Tariff to the Oman Power and Water Procurement Company and/or the Rural Areas Electricity Company, as appropriate, in consideration of the new Desalinated water Production Capacity procured on behalf of the Public Authority for Electricity and Water* and in consideration of the sale of Desalinated water Output by the Oman Power and Water Procurement Company and the Rural Areas Electricity Company to this Authority;

* Amended pursuant to Royal Decree (59/2009)

** Amended pursuant to Royal Decree (32/2012)

- (e) To cooperate with the Oman Power and Water Procurement Company and the Rural Areas Electricity Company to decide whether there is a duty to procure New Capacity for Desalinated water, whether by the Oman Power and Water Procurement Company pursuant to Article (79) of this Law, or independently by the Public Authority for Electricity and Water*, or there is a duty to procure New Capacity for Desalinated water in rural areas pursuant to Article (84) of this Law by the Rural Areas Electricity Company whether connected with electricity Production Capacity, or independently by the Public Authority for Electricity and Water*;
- (f) To comply with the duties prescribed to it pursuant to the provisions of this Law;
- (g) To furnish the Licensed Transmission System Operators with the following:
 - (i) Sufficient information to enable each of them to operate his System in order to discharge his duties pursuant to Article (82) of this Law;
 - (ii) Sufficient information in respect of the Public Authority for Electricity and Water* requirement for Desalinated water from Production Facilities that are Connected to the System of any Licensed Transmission System Operator being the subject matter of a contract with the Oman Power and Water Procurement Company;
- (h) To provide the Authority with such information required by it to enable it to perform its functions and duties pursuant to this Law;
- (i) To become and remain as a party to and comply with the Grid Code;
- (j) To conduct researches and development in relation to the electricity Supply sector and to submit its recommendations (if any) in this respect to the Council of Ministers;
- (k) To submit recommendations to the Council of Ministers in respect of International Interconnections and to cooperate with the Authority and Successor Entities pursuant to the provisions of this Law.

Article (135)(bis) The criteria defining the Desalination Facilities of a Special Nature shall be issued by a decision of the Chairman of the Public Authority for Electricity and Water**.

* Amended pursuant to Royal Decree (59/2009)

** Added pursuant to Royal Decree (47/2013)

Article (135)(bis 1) The Chairman of the Public Authority for Electricity and Water shall issue a decision determining the existing desalination facilities to which the criteria referred to in Article (135 bis) applies and shall inform such facilities with the decision in writing.

Desalination plants which are not combined with the generation of electricity or co-located with it at the same site and which are notified of the decision of the Chairman of the Public Authority for Electricity and Water that the criteria defining Desalination Facilities of a Special Nature is applicable to them shall adjust their status in accordance with the provisions of this law within one year from the date of their notification of the decision*.

Article (135)(bis 2) All provisions applicable to Related Water stipulated in this law shall apply to water produced from Desalination Facilities of a Special Nature*.

Article (136) (This Article was deleted pursuant to Royal Decree 59/2009)

Article (137) The Employment Rights of each Transferring Employee shall Transfer to the Successor Entity specified in the Transfer Scheme as from the Transfer Date and such employees shall comply with the employment regulations issued by the Successor Entity.

Article (138) Without prejudice to the rights and privileges prescribed by the regulations relating to personnel affairs issued by the Electricity Holding Company or any of the companies stipulated in Article (66) of this Law, the Employment Rights and privileges of Transferring Employees to any of such companies shall not be less than their Employment Rights and privileges received by them at the Public Authority for Electricity and Water**, including their salaries and allowances, on the day preceding the Transfer Date.

Article (139) As an exception from the provisions of the abovementioned Social Security Law, the treatment of the employees mentioned in the preceding Article shall continue to be subject to the provisions of the abovementioned law of Post Service Pensions and Gratuities for Omani Government Employees, and their contributions be paid and pension rights settled pursuant to its provisions, and the Successor Entity shall be obliged to pay pension contributions of the Transferring Employees to the pensions and gratuities fund, which shall include the part payable by the Transferring Employee and the part payable by the Successor Entity.

* Added pursuant to Royal Decree (47/2013)

** Amended pursuant to Royal Decree (59/2009)

- Article (140) The companies shall be obliged not to terminate the service of the Transferring Employees transferred to them from the Public Authority for Electricity and Water* for a period of 5 years from the date of privatisation of the company, on condition that the employees shall comply with the company's regulations and the Labour Law and provided that the provisions of the law for Post Service Pensions and Gratuities for Omani Government Employees shall be taken into account in case of the termination of their services.
- Article (141) It shall be a condition to benefit from the provisions of the preceding Articles (138), (139) and (140) that a Transferring Employee shall continue to be in the service of any Successor Entity until the date of the end of his service.
- Article (142) The Ministry of Housing* shall on the Transfer Date compensate each Transferring Employee for his accrued leave in accordance with the provisions of the legislation in force in the Sultanate of Oman, and shall also pay all amounts of salaries and allowances due up to the Transfer Date.
- Article (143) The abovementioned Labour Law shall apply to the Transferring Employees as from the Transfer Date, and its provisions shall be applied in respect of their affairs including Labour disputes, except disputes relating to the Transferring Employee's pension rights, which shall be subject to the jurisdiction of the Administrative Court.
- Article (144) (this Article was deleted pursuant to Royal Decree 47/2013).
- Article (145) The Pensions and Gratuities fund shall be obliged to receive the contributions of the Transferring Employees, and shall also be obliged to settle their pension rights at the end of their service pursuant to the provisions of the law of Post Service Pensions and Gratuities for Omani Government Employees, taking into consideration the provisions of this Law.
- Article (146) The Successor Entity shall offer the Transferring Employee his right to be employed pursuant to the employment conditions adopted by the Successor Entity in respect of non-Transferring Employees. It may be agreed between the Transferring Employee and the Successor Entity that these conditions shall apply to him, in which case the provisions of such agreements shall be applied will all effects resulting therefrom.
- Article (147) The Authority shall, where it has been revealed to it that a breach of the conditions of the Licence or Exemption or non-compliance with the duties prescribed pursuant to this Law has been or is likely to be committed, by any of the Licence Holders or Exemption Holders, conduct the necessary investigation in this regard.

* Amended pursuant to Royal Decree (59/2009)

The Authority in order to achieve the above shall have the following powers:

- (a) To notify any relevant Person to submit the documents and information specified by the Authority in the notification, which are in the possession or under the control of that Person, in the time, place and manner as shall be reasonably specified in the notification;
- (b) To seek issuance of an order from the Competent Omani Court to oblige any Person who abstains from providing the documents and information pursuant to the provisions of paragraph (a), and the Court shall decide on the request of the Authority for the issuance of the order on an expedited basis.

Article (148) The Minister of Justice shall, on the basis of a request from the Minister of Finance*, issue a decision to grant the employees of the Authority nominated by it the capacity of judicial authority to implement the provisions of this Law and its implementing regulations and decisions.

Article (149) When the rights and liabilities of the government are transferred pursuant to the relevant Salalah Project Agreements the following shall result:

- (a) The rights of the government in any assets owned by it, with the exception of the ownership of the project lands, shall be transferred to the Rural Areas Electricity Company;
- (b) The Oman Power and Water Procurement Company shall exercise its rights and comply with its responsibilities in accordance with the provisions of the relevant Salalah Project Agreements. The rights and liabilities of the government reverting to it on expiration of the relevant Salalah Project Agreements, or its early termination shall, in accordance with the provisions of such agreements, be transferred to the Electricity Holding Company, which shall be responsible for the operation and maintenance of all or relevant parts of such System;
- (c) The Electricity Holding Company shall either appoint one of the companies stipulated in Article (66) of this Law, or establish a new company, to undertake the obligations imposed on it pursuant to the provisions of this Article.

* Amended pursuant to Royal Decree (32/2012)

- Article (150) Without prejudice to any obligations or rights of any Person, other than the Oman Power and Water Procurement Company, pursuant to the relevant Salalah Project Agreements, the Salalah Project Company as from the Transfer Date shall have no right of recourse to any Person other than the Oman Power and Water Procurement Company in case of a breach of the obligations of such company pursuant to the relevant Salalah Project Agreements. Also, no Person other than the Oman Power and Water Procurement Company may claim against the Salalah Project Company in case of a breach of its obligations pursuant to such agreements, and no compensation for costs, expenses, losses, and damages resulting from the non fulfilment of the obligations pursuant to the relevant Salalah Project Agreements shall be paid other than to the Oman Power and Water Procurement Company, which shall take the necessary measures to fulfil its obligations and obtain its rights; after consultation with the Authority.
- Article (151) The Salalah Project Company may undertake one or more of the regulated activities pursuant to this Law without obtaining a Licence or Exemption within the Salalah Concession Area pursuant to the relevant Salalah Project Agreements, and during the period from the Transfer Date till the date of expiration of the relevant Salalah Project Agreements, in accordance with the stipulations made by such agreements.
- Article (152) It shall not be permissible for any Person who has an economic interest in the Salalah Project Company, without obtaining the prior written approval of the Authority, to have an economic interest in any Person undertaking any of the regulated activities outside the Salalah Concession Area.
- Article (153) The Oman Power and Water Procurement Company shall not during the Salalah Concession Period have the right of monopoly, or obligation, in respect of contracting for Production Capacity and Output in relation to the Salalah Production Facilities.
- As an exception from the above, the Oman Power and Water Procurement Company shall have the right to purchase any surplus Production Capacity and/or Output from the Salalah Project Company pursuant to an agreement between the Oman Power and Water Procurement Company and the Salalah Project Company as long as such purchase is consistent with the Economic Purchase duty imposed on the Oman Power and Water Procurement Company.
- Article (154) A Generation Licence issued by the Authority shall permit the Manah Project Company to have interests in the Interconnection and Transmission Facilities, as long as the company retains its interests in the Interconnection and Transmission Facilities to the extent stipulated in the Manah Project Agreements and in accordance with them.

Article (155) As from the Transfer Date, any securities created by the Manah Project Company over its assets or liabilities shall not be recognized without the prior written approval of the Authority.
