



هيئة تنظيم الخدمات العامة  
Authority for Public Services Regulation

# **Separation Requirements between the Market Operator and the Power Procurer**

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## 1. Objective

This document outlines the separation requirements between the Market Operator and the Power Procurer, as mandated by Condition 14A(3) of the Oman Power and Water Procurement Company SAOC (**PWP**) Licence (**Licence**), issued by the Authority for Public Services Regulation (**Authority**). The goal is to prevent any perceived or actual conflict of interest between these two functions, ensuring the integrity and efficiency of the Oman Electricity Markets.

Unless otherwise defined in this document, defined terms shall have the meanings ascribed to them in Oman Power and Water Procurement Company SAOC's (**PWP**) Licence as issued by the Authority and amended from time to time.

Considering that PWP will be undertaking the Market Operator Functions as well as procuring power from the Pool (referred to as Power Procurer in the Oman Electricity Market Rules (**Market Rules**)), this document aims to ensure that any perceived or actual conflict of interest between PWP's two (2) roles under the Market Rules is avoided through implementation of Condition 14A of the Licence.

In accordance with Condition 14A (3) of the Licence, this document sets out the Separation Requirements between the Market Operator and the Power Procurer as issued by the Authority, and identifies the details of the administrative, managerial, operational, financial, system and/or other requirements for the proper separation of the Market Operator to ensure compliance with the Licence and the Market Rules and ensure that the Market Operator functions are properly discharged by PWP (**Separation Requirements**).

This document must be read in alignment with PWP's Licence and the Market Rules. It should be reviewed periodically to ensure its continued relevance and alignment with the relevant governance law, as may be amended from time to time and reviewed periodically to ensure that they remain consistent.

## 2. Risks potential overlap between the two functions

If the Power Procurer and the Market Operator functions are not strictly separated, several risks may arise. The power procurer should make decisions based on objective criteria, avoiding any undue influence. To ensure transparency, the procurement process must adhere to clear and fair bidding rules. Regular monitoring and audits are essential to identify and address potential conflicts of interest or unethical behavior. Finally, a robust regulatory framework can guarantee that the power procurer complies with ethical standards and with the Market Rules.

To mitigate any risks associated to a potential involvement between the functions, responsibilities, and decision-making authority of both the Power Procurer and the Market Operator, it is essential to implement strict Separation Requirements. This includes establishing separate legal entities or organizational units for the Power Procurer and the Market Operator, clearly defining responsibilities between the two functions, and physically separating offices and systems to minimize information and data sharing. Additionally, regular monitoring and audits are crucial to ensure compliance with separation

requirements and identify and report any potential issues. This Separation Requirements document outlines the specific measures and conditions necessary to mitigate any potential risks associated with a combined role.

### 3. Separation Requirements

- 3.1. PWP shall take such steps as shall secure that the Market Operator shall be maintained financially, operationally and physically separate, to the extent agreed with or directed by the Authority from time to time, from all other businesses of the PWP and information and access barriers shall be applied between the Market Operator and all other businesses of PWP in accordance with these Separation Requirements.
- 3.2. PWP shall ensure that it has complied with Condition 14(A) and these Separation Requirements and shall report to the Authority in relation to such compliance annually in accordance with Condition 14A (2).
- 3.3. In these Separation Requirements,

**"Market Operator Staff"** means the staff of the PWP engaged in the business of the Market Operator;

**"Non-Market Operator Staff"** means the staff of the PWP engaged in the business of the PWP other than the business of the Market Operator;

**"Power Procurer"** shall have the meaning set out in the Market Rules Document; and

**"PWP Management"** shall mean the Board of Directors (and any sub-committees) and Chief Executive Officer of PWP.

- 3.4. Except as provided in paragraph 3.5 below:

- 3.4.1. No member of the Market Operator Staff shall be directly or indirectly engaged in any business of PWP that may conflict with the business and/or the interest of the Market Operator (and vice versa).

- 3.4.2. No member of the Market Operator Staff shall have any interest or be engaged or involved in the business of any other Pool participant.

- 3.4.3. No member of the Non-Market Operator Staff shall directly or indirectly participate in the formulation or making of, or influence or attempt to influence, the commercial policy or commercial decisions of the Market Operator.

- 3.4.4. No member of the Non-Market Operator Staff shall directly or indirectly provide any service to, or enter into any contract with, the Market Operator except to the extent permitted by these Separation Requirements as set out below.

3.4.5. No member of the Non-Market Operator Staff shall have electronic access to the information technology (IT) system used by the Market Operator in discharging its Market Operator Functions except to the extent permitted under the Market Rules.

3.4.6. The Market Operator Staff must not share any communication or electronic networks and/or systems with the Non-Market Operator Staff, unless restrictions are in place to prevent Non-Market Operator Staff having access to those electronic networks and/or systems (or parts of them, where relevant) used by the Market Operator (and vice versa).

3.5. Without prejudice to Condition 14 (A) of the License, it shall be permissible to:

3.5.1. Operate PWP wide intranet system, communication or other electronic network, provided that no Market Operator Sensitive Information shall be accessible by the Non-Market Operator Staff;

3.5.2. Apply general business policies to the whole of the PWP's business or the provision of advice or guidance on the same (unless those policies relate specifically to the business of the Market Operator);

3.5.3. Share the provision of services to the business between the Market Operator and the Power Procurer related to:

- a) Legal, regulatory, company secretarial, human resources, internal audit, taxation, finance and accounting, property and facilities management, insurance, corporate affairs, public relations and services relating to health and safety and the environment provided directly or indirectly by the Non-Market Operator Staff;
- b) Procurement of services including the use of internal tender committee as well as the engagement of the Market Operator staff in the procurement businesses (other than procurement of power and water capacities or procurement that may in any way conflict with the business and/ or interest of the Market Operator);
- c) IT system to the extent permitted in section 8 of these Separation Requirements;
- d) Planning and economics to the extent permitted in paragraph 4.6 of these Separation Requirements;
- e) Such other services as may be approved from time to time by the Authority; and
- f) PWP Management.

3.5.4. Engage external advisors (currently or previously in contract with PWP) by the Market Operator, provided that such advisors:

- a) Were engaged by PWP in compliance with the Tender Law and the Sector Law;
- b) Provide a declaration confirming that there exists no actual or potential conflict of interest for such advisor or any of its personnel, formal associates and affiliates to the Market Operator or Power Procurer (as may be applicable);
- c) Disclose, to the extent of any actual or potential conflict of interest, any change of circumstances that must be declared, including:

- d) Providing details of the processes and policies put in place by the advisor to manage conflicts of interest. If applicable, details of the management of conflict of interest undertaken by any professional bodies to which the advisor is a member should also be provided;
- e) Immediately informing PWP if any relationship should subsequently come into existence, which may impair the adviser's ability to perform the services in the best interests of the Market Operator or Power Procurer (as may be applicable); and
- f) Implementing any steps and actions requested by PWP to ensure that no actual conflict of interest exists, including but not limited to ensuring separation of advisor personnel in performance of the services and/or implementing appropriate information barriers and restricted access.

3.5.5. Appoint the same external auditors to review and consolidate both the Market Operator and PWP's financial accounts.

3.6. PWP must ensure compliance with section C.3.2.2 of the Market Rules.

## 4. Market Operator Sensitive Information

In implementing Condition 14A (6), PWP shall ensure and undertake the following:

- 4.1. All board members and staff must ensure not to seek or access Market Operator Sensitive Information except as per permitted in these Separation Requirements;
- 4.2. The Market Operator Sensitive Information shall only be disclosed *on a strictly need to know basis* in order to allow the Market Operator to discharge its Market Operator Functions and comply with the Market Rules.
- 4.3. PWP must ensure that its board members, staff and any advisor appointed by it, who become aware (on a strictly need to know basis) or have access to Market Operator Sensitive Information as permitted under the Separation Requirements, shall ensure maintaining confidentiality of such data.
- 4.4. All board members and staff shall be required to undergo annual awareness sessions on the importance of these Separation Requirements and must sign an annual declaration undertaking to comply with the confidentiality and other provisions of the Separation Requirements and retrospectively confirming such compliance for each preceding year.
- 4.5. Any communication or correspondence containing Market Operator Sensitive Information that is required to be sent to market participants under the Market Rules or otherwise shall only be prepared and finalised by a member of the Market Operator Staff provided always that such Market Operator Staff shall be entitled to seek review and incorporate the comments of the PWP Management concerning such communication or correspondence and such persons authorised to have access to such Market Operator Sensitive Information as permitted by these Separation Requirement.

- 4.6. The planning and economic function within PWP is permitted to provide services related to the calculation of certain parameters and modelling, as required by the Market Operator, which are set out below:
- a) annual process for determining scarcity parameters;
  - b) other parameters required under the Market Rules;
  - c) assistance in modelling for market behaviour, surveillance, and monitoring;
  - d) modelling for the purpose of assessing Market Rules modification proposals;
  - e) any other modelling studies related to the development of the spot market; and
  - f) any services or advices required to comply with directions from the Authority from time to time.
- 4.7. Market Operator Sensitive Information may be disclosed to other businesses of PWP, only to the extent necessary, for PWP to discharge its statutory duties and objectives as set out in the Sector Law and the Licence.

## 5. Personnel

- 5.1. The PWP Management shall be responsible for ensuring PWP's compliance with the Separation Requirements.
- 5.2. In the event of perceived, potential or actual conflict of interest between the Market Operator and Power Procurer, the Chief Executive Officer shall, immediately and no later than three (3) days from the date of becoming aware of the incident, raise the issue to the Authority and notify the Authority of the measures and steps taken or intended to be taken to address such perceived or actual conflict.
- 5.3. In accordance with the reporting obligations to the Authority pursuant to Condition 14(A)(2) of the Licence and paragraph 3.2 of these Separation Requirements, the Chief Executive Officer shall submit an annual compliance report to the Authority. This report shall address compliance with the Separation Requirements outlined in paragraph 3.4 and include, but is not limited to, any potential conflicts of interest or related incidents that may arise, as well as annual updates to compliance declarations. To ensure the thoroughness and independence of this assessment, the Chief Executive Officer shall engage qualified external auditors to conduct such compliance checks, without prejudice to the provisions of section 3.5.4 of this document.
- 5.4. In order to monitor compliance with these Separation Requirements, the Chief Executive Officer shall ensure that appropriate monitoring mechanism are in place to detect and report on:
- 5.4.1. The instances of actual or perceived conflict of interest which have taken place between the Market Operator and the Power Procurer;
  - 5.4.2. The procurement of external advisors and any actual or perceived conflict of interest arising from the procurement of their services and any steps taken on the matter;
  - 5.4.3. Any failures to comply with Condition 14(A) or these Separation Requirement; and
  - 5.4.4. Any other matter requested from the Authority from time to time.

- 5.5. No member of the PWP Management or the Non-Market Operator Staff shall be eligible to chair or act as a secretary to the Market Advisory Committee to be established under the Market Rules as specified in section C.5 of the Market Rules. Notwithstanding this and to the extent permitted by the Separation Requirements, the Market Advisory Committee may create working groups pursuant to section G.4.3.5 of the Market Rules which may consist of the Non-Market Operator Staff.
- 5.6. The Authority acknowledges that PWP has established an internal technical committee consisting of employees with various expertise that reviews legal, technical and commercial matters and provides its view to PWP Management or the relevant procurement body as part of the Power Procurer procurement process. If PWP wishes to establish such committee to assist the Market Operator in undertaking its Market Operator Functions, then a wholly separate committee shall be established. However, the committees may have common members among them provided that such members are permitted to provide services to both Power Procurer and Market Operator under these Business Separation Requirements, specifically as set out in paragraph 3.5.3 above.

## 6. Accounts

The Market Operator is considered a Separate Business. To ensure compliance with accounting and reporting separation, PWP shall comply with Condition 14 of the Licence.

## 7. Physical Separation

- 7.1. The Market Operator department shall be physically separated from the Non-Market Operator staff within PWP and PWP shall ensure that access is limited to those authorised only.
- 7.2. Any hard or electronic documentation of the Market Operator is filed, stored, and archived separately, with strict access to those authorised only.

## 8. IT systems

- 8.1. The IT system used by the Market Operator to discharge its Market Operator Functions shall be stored and maintained separately from the rest of the information systems and networks used by PWP with strict access to those authorised only. Such IT system shall only be accessible by the Market Operator network and a special certificate will be installed in each hardware machine to enable connection to the IT system using a designated username and password. The Power Procurer (and other market participants) shall have access to the Market Operator IT system to the extent permitted in the Market Rules.
- 8.2. PWP must ensure that only the Market Operator Staff (or any third party appointed on its behalf) is responsible for operating and maintaining the IT system used by the Market Operator to discharge its Market Operator Functions, which must be separate from those operating and maintaining the IT system used by PWP in undertaking its other businesses.

- 8.3. General systems such as office PCs, laptops, HR systems, Oracle, any other IT system which is not a market system, may continue to be provided (including support and maintenance) by Non-Market Operator Staff, Nama Holding or any appointed third party.

## 9. Legal Separation

- 9.1. At the date of issuance of the Separation Requirements and considering the requirements set out above, a full legal separation between the Market Operator and the Power Procurer is not required.
- 9.2. Notwithstanding this, Condition 14A (4) of the Licence allows PWP with the prior approval of the Authority, to establish such separation by vesting the business of the Market Operator in a wholly-owned subsidiary company of the PWP.

## 10. Violations

- 10.1. Any violations, or suspected violations, to these Separation Requirements and Condition 14(A) by any personnel shall immediately be reported to the Chief Executive Officer of PWP.
- 10.2. The Chief Executive Officer shall immediately investigate, through the establishment of an investigation committee of competent personnel (**the Investigation Committee**) pursuant to Section 10.6 below, and immediately take such steps necessary to remedy the violation to the best possible extent, mitigate any adverse consequences resulting from such violation and implement the steps necessary to limit the occurrence of any subsequent violations of similar nature. An investigation report for each incident shall be prepared setting out all the details referred to in this paragraph 10.2.
- 10.3. Any violations to these Separation Requirements and Condition 14(A) shall immediately, and in any event no later than three (3) days from the date of becoming aware of the incident, be reported to the Authority. The investigation report referred to in paragraph 10.2 above shall be provided to the Authority as soon as it has been completed and finalised, in addition to any other relevant information requested by the Authority.

Any person that negligently or willfully violates these Separation Requirements and Condition 14(A) shall be subject to disciplinary action. Such actions shall be enforced by the Investigation Committee and approved by the Authority, in accordance with the applicable legal and regulatory framework.

- 10.4. Without prejudice to section 3.5.4 of this document, the Investigation Committee, referred to in section 10.2, shall be established as an independent external party. This committee shall have the authority to conduct thorough investigations, interview relevant personnel, and issue findings and recommendations on disciplinary actions resulting from confirmed cases of breach of Condition 14(A) and report these findings, aggravating and mitigating factors to the Authority.

## 11. Miscellaneous



- 11.1. PWP shall have the right to propose any amendments to the Separation Requirements for the Authority's consideration and approval. Notwithstanding this, the Authority, following consultations with PWP, reserves the right to amend the Separation Requirements as may be necessary from time to time.
- 11.2. In the event of contravention or inconsistency between the provisions, or interpretation, of the Separation Requirements with the Licence and/or the Market Rules Document, then the order of prevalence shall be:
- a) The Licence;
  - b) The Separation Requirements; and
  - c) The Market Rules.
- 11.3. Nothing in these Separation Requirement shall prevent PWP from complying with the Market Rules.
- 11.4. The Separation Requirements shall be publicly published on, and made available, on the Market Operator website, including any revisions or amendments to this document, in accordance with Condition 6B (3) of the Licence.

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