



هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN

2020 Forward Work Programme
Consultation Draft

November 2019

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Foreword

The Authority for Electricity Regulation, Oman (“the Authority”) is responsible for regulating the electricity and related water sector in the Sultanate of Oman. The Authority was established pursuant to Article (19) of the law for the regulation and privatization of the electricity and related water sector (the “Sector Law”) promulgated by Royal Decree 78/2004.

Article (34) of the Sector Law requires the Authority to publish a Forward Work Programme before the commencement of each Financial Year (1 January to 31 December) setting out the principal areas of work for the coming year. This document presents the Authority’s draft 2020 Forward Work Programme and invites interested Persons to submit comments or objections on the proposed programme to the following address by Monday 30 December 2019:

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All responses to the consultation will be acknowledged within thirty days of receipt as required and brought to the attention of Members who will consider the responses in the context of their plans for the Authority and any new initiatives they may wish to implement in 2020.

The final published 2020 Forward Work Programme will be presented to the Government in accordance with the requirements of Article (36) of the Sector Law.

Further information about the Authority and the structure and regulation of the electricity and related water sector in Oman is available for review on the Authority’s website: www.aer.om

Statutory Functions and Duties

The Authority has a range of statutory functions and duties that are set out in various sections of the Sector Law. The Authority's principal duties (see Article (22) of the Sector Law) require the Authority to:

- secure the provision of electricity and related water services in Oman;
- promote competition in the electricity and related water sector;
- secure the safe, effective and economic operation of the electricity and related water sector in the public interest;
- protect the interests of customers, in particular those with limited income, the elderly and sick; to prepare criteria relating to the welfare of customers and to act in accordance with such criteria;
- secure compliance with Government policy relating to the protection of the environment, Omanisation and Omani Content;
- ensure the financial and technical capabilities of licensees and ensure companies operating efficiently can finance their activities;
- secure the conduct of fair and transparent competitions for new capacity by the Oman Power and Water Procurement Company SAOC;
- facilitate the privatisation of the electricity and related water sector;
- review on an annual basis the scope for further liberalisation of the electricity and related water sector; and
- prepare and maintain a Public Register of all matters relating to licenses and exemptions.

The Authority is also subject to important governance duties including a duty to not discriminate against or unduly prefer any Person; to act consistently treating like cases alike and, in particular, to ensure, so far as it is appropriate, that all Licenses and Exemptions for the same Regulated Activities are granted in substantially the same form; a duty to minimise, insofar as it is able to do so, the regulatory burden on licence holders and exemption holders; and to give written reasons for its decisions.

All of the Authority's work, including that envisaged in the 2020 Forward Work Plan, must be conducted in accordance with these statutory duties.

Consultation

The Authority wishes to consult on the draft 2020 Forward Work Programme and invites interested Persons to submit comments and objections by Monday 30 December 2019. The Authority intends to acknowledge all comments and objections received in response to this consultation within thirty days of receipt as described above.

Purpose of Forward Work Programme

The Authority's Forward Work Programme serves a number of purposes:

- (i) Publication of each Forward Work Programme provides notice to Persons who may be affected by the programme thereby affording them the opportunity to comment on what is proposed;
- (ii) The Forward Work Programme is an important determinant of the Authority's costs (and licensees' fees) and as such is an important input in the development of the Authority's budget; and
- (iii) Publication of a Forward Work Programme reinforces transparency and accountability by allowing interested Persons, such as licensees and the Government, to ensure work planned for each subsequent year is consistent with Government objectives and aligned to the Authority's statutory functions and duties.

Each Forward Work Programme sets out work the Authority proposes to undertake in the coming year. During the course of a year the Authority may need to reprioritise work in response to events and changing circumstances and may therefore undertake work that was not included in a Forward Work Programme and be unable to undertake or complete items in a published programme.

Context & Content of 2020 Forward Work Programme

The 2020 Forward Work Programme is the fifteenth programme published by the Authority since its establishment. All of the work items in the 2020 Forward Work Programme are in addition to work undertaken by the Authority in the normal course of business.

The 2020 Forward Work Programme anticipates the appointment of Members by 1 May 2020. The programme therefore focuses on committed work streams, with no new initiatives as the present Members consider it appropriate for any new initiatives to be approved by incoming Members. The Programme also envisages an expansion in the regulatory scope of the Authority to include the regulation of the gas transmission network, water and wastewater sectors.

2020 Work Priorities

The 2020 Forward Work Programme includes a number of general policy areas of work:

GP1 Integration of Gas Transmission Regulation

The Authority expects the issuance of the legal framework to regulate the gas transmission network.

GP2 Integration of Water & Wastewater Sector

The Authority will continue to coordinate with relevant entities on the restructuring of the Water and Wastewater Sector. The restructuring is expected to be implemented in 2020 in advance of which the Authority will be required to:

- a. Grant new licences to relevant companies to undertake the regulated activities;
- b. Implement and approve new price controls and Bulk Supply Tariff arrangements for relevant companies;
- c. Modify the licence of PWP to reflect the new market structure and regulatory arrangements; and
- d. Implement arrangements, pursuant to Article (18) of the Sector Law to calculate and secure the provision of electricity subsidy to Licensed suppliers

Other areas of work planned for 2020

In addition to the areas of work outlined above, the Authority expects to progress other areas of work during 2020, including:

1. Environmental Audit of RAEC

In 2019 the Authority undertook environmental audits of all network licensees except RAEC due to the special nature of their activities which requires expertise in diesel generation and desalination activities. The Authority is planning to conduct an Environmental Audit for RAEC in 2020 to ensure all networks companies are covered.

2. Compliance Monitoring , Frameworks & Codes

The Authority is planning to undertake an audit of Licensee's reported performance in relation to the Customer Service Incentive scheme.

The Authority is also planning to perform an audit on distribution companies customer service key performance indicators on a quarterly basis

3. Review of Smart Meter Cyber Security Requirement

The Authority intends to engage experts to develop the smart meter cyber security requirement to ensure that these requirements are captured in all digital smart meters.

4. Guaranteed Standards

The Authority commenced the preparation and implementation of Guaranteed Standards scheme in 2019. The Authority expects to implement further enforcement measures in 2020.

5. Quality of Supply Indicators

The Authority wishes to start publishing and using the Quality of Supply indicators for the sector (SAIDI, SAIFI, CAIDI, etc.). In order to have confidence in the accuracy and consistency with the international standards requirements of the figures published by the licensees, the Authority plans to undertake an audit of the systems implemented by the Licensees to generate these figures. The Authority also will ensure there is an appropriate reporting framework of these figures to the Authority.

6. Wholesale Market Development

The Authority intends to assess the potential for liberalization of Oman Power & Water Procurement Company SAOC purchasing monopoly, and to develop an understanding of costs of new generation technologies and self-supply/spill options. As a result of the decrease in prices of solar etc and the implementation of CRTs, large users are actively investigating the potential for own generation capacity, with potential spill into established distribution networks or the transmission system, or wheeling to other customers. The Authority needs to assess the scale of the issue and the potential impacts upon central dispatch, ancillary services and efficient economic purchasing.

7. Network Price Controls

The Authority expects to commence a price control review of gas transmission price controls during early 2020 and a price control technical audit of the Distribution companies and Rural Areas Electricity Company towards the end of 2020.

The Authority will also continue to monitor Licensees' performance against price controls.

8. Sahim Project

The Authority commenced the customer recruitment process for Sahim 2 during 2019 and finalised the transaction documents required to execute Sahim 2. In addition to progressing the tendering process for Sahim 2 in 2020, the Authority intends to launch a similar scheme to integrate solar PV systems within Government buildings. This will expand the scope of Sahim and establish a transactional framework, including a funding mechanism, to install PV solar systems in Government buildings.

9. Energy Efficiency

In 2019, the Authority commenced the tendering process for the first tranche of the audit and retrofitting initiative for Government buildings. This initiative will continue during 2020 with the tendering for the second and third tranches. Furthermore, the Authority worked closely with the Ministry of Commerce and Industry to publish the first Omani Standards for Air-Conditioners and intends to assist with the publication of the standards for four additional appliances including refrigerators, water heaters, LED lights, and washing machines during 2020. The Authority will also work closely with the Supreme Council of Planning to establish the energy efficiency and green building codes.

Authority for Electricity Regulation, Oman

November 2019

Glossary of Terms

<i>Licence</i>	An authorization granted by the Authority to undertake one or more of the Regulated Activities stipulated in Article (3) of the Sector Law
<i>Price control</i>	A mechanism for determining the maximum allowed revenue a licensee can recover in each year from users of its services, as stipulated in a schedule charge restriction condition of a Licence
<i>RAEC</i>	The Rural Areas Electricity Company SAOC
<i>Regulated Activities</i>	The activities stipulated in Article (3) of the Sector Law
<i>Sector Law</i>	The law for the regulation and privatization of the electricity and related water sector promulgated by Royal Decree 78/2004 and amended by Royal Decree 59/2009 and Royal Decree 47/2013
<i>Cyber Security</i>	The tools, policies, security concepts, security safeguards, guidelines, risk management approaches, actions, training, best practices, assurance and technologies used to protect and safeguard SCADA and DCS systems from threats to the availability and integrity of those systems, and the confidentiality of data held by those systems and/or exchanged with other systems.
<i>The Authority</i>	The Authority for Electricity Regulation, Oman, being the authority established pursuant to Article (19) of the Sector Law
<i>System average interruption frequency index (SAIFI)</i>	This index Indicates how often the average customer experiences a sustained interruption over a predefined period of time.
<i>System average interruption duration index (SAIDI)</i>	This index indicates the total duration of interruption for the average customer during a predefined period of time.
<i>Customer average interruption duration index (CAIDI)</i>	CAIDI represents the average time required to restore service.