

SULTANATE OF OMAN



هيئة تنظيم الخدمات العامة
Authority for Public Services Regulation

Exemption Order No. (9/2005)

GRANTED TO

Petroleum Development Oman LLC

COMMENCEMENT DATE: 1 MAY 2020

Modification Date: 01 November 2022

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Exemption Order No. (9/2005)

The Authority for Public Services Regulation¹, is the Authority established pursuant to Article (19) of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector promulgated by Royal Decree (78/2004) (Sector Law). In exercise of the powers conferred on it by the Sector Law the Authority hereby makes the following Order:

ARTICLE (1) Citation and Commencement

1.1 This Order shall be referred to as Exemption Order No. (5/2005) and shall be effective from 1 May 2020.

ARTICLE (2) Interpretation

2.1 In this order:

2.2 Definitions

"Affiliate"

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

"Authority"

means the Authority for Public Services Regulation, established pursuant to Article (19) of the Sector Law;

"Code of Bidding Practice"

means a document of that name issued from time to time by the Authority to parties to the Market Rules Document which specifies requirements to be complied with in relation to making Offers under the Market Rules Document on a Cost Reflective Basis;

¹ Name changed as per Royal Decree No (78/2020)

"Commencement Date"

means the date on which this Exemption Order becomes effective as set out in Article 1.1;

"Controls"

means, in respect of a Person by another, that other (whether alone or with others and whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise):

- (i) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that Person or of any other Person which controls that Person; or
- (ii) controls or has the power to control the affairs and policies of that Person or of any other Person which controls that Person; or
- (iii) is the parent undertaking of that Person or is the parent undertaking of any other Person which controls that Person; or
- (iv) possesses or is, or will be at a future date, entitled to acquire:
 - (a) twenty per cent (20%) or more of the share capital or issued share capital of, or of the voting power in, that Person or any other Person which controls that Person; or
 - (b) such part of the issued share capital of that Person or any other Person which controls that Person as would, if the whole of the income of such Person were in fact distributed, entitle him to receive twenty per cent (20%) or more of the amount so distributed; or
 - (c) such rights as would, in the event of the winding-up of that Person or any other Person which controls that Person or in any other circumstances, entitle him to receive twenty per cent (20%) or more of the assets of such Person

which would then be available for distribution,

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

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

"Cost Reflective Basis"

means making Offers under the Market Rules Document which are [cost reflective and] compliant with instructions issued by the Authority in a Code of Bidding Practice;

"Exemption"

a written authorization issued by the Authority to undertake any of the regulated activities pursuant to the provisions of the Sector Law without obtaining a Licence or exemption from one or more conditions of a Licence and **Exempt**, **Exempted** and **Exemption Holder** shall be construed accordingly;

" Licensee "

means a person granted a Licence by the Authority pursuant to the Sector Law, to undertake any of the Regulated Activities listed in Article (3) of the Sector Law;

"Market Operator"

means the Person undertaking the functions expressed to be assigned to the Market Operator pursuant to the Market Rules Document;

"Market Rules Document"

means a document or suite of documents from time to time designated as a Market Rules Document by the Authority pursuant to PWP's Licence;

"Offer"

means the submission by the Exemption Holder of bid or Offer Data or other information (whether about its Production Facility, prices or otherwise) to the Market Operator in accordance with the Market Rules Document,

in order for the Exemption Holder to trade in the Pool;

| | |
|-----------------------------|---|
| "Person" | any natural person or public or private legal person, includes an individual, partnership, company, firm, trust, body corporate, government, government body, authority, emanation, agency, instrumentality, unincorporated body or an association; |
| "Pool" | means the market and all the arrangements established by the Market Rules Document; |
| "Premises" | means any plot of land, building or structure occupied or used by a Person; |
| "Regulated Activity" | means each of the activities listed in Article (3) of this Exemption Order; |
| "Sector Law" | means Royal Decree 78/2004 governing the Regulation and Privatisation of the Electricity and Related Water Sector. |

Terms defined in the Law

2.3 Words and expressions, other than those defined in this Article (2), which are defined in the Sector Law, shall have the meanings ascribed to them in the Sector Law.

Paragraph references

2.4 References to paragraphs and Articles shall be to paragraphs of Articles in this Order and to Articles in this Order, and in the Sector Law where indicated.

ARTICLE (3) Exemption

General

3.1 **Petroleum Development Oman LLC ("PDO")** may, to the extent and for the purposes specified in paragraph (3.2), subject to the conditions specified in paragraph (3.3) and for the durations specified in paragraph (3.4), conduct the Regulated Activities specified in paragraph (3.2) without being required to be authorised to do so by a Licence granted by the Authority pursuant to Article (5) of the Sector

Law. Accordingly, for those periods, to that extent, for those purposes and subject to compliance with those conditions, **PDO** shall not be in breach of Article (4) of the Sector Law.

Purpose

3.2 Subject to the Conditions listed in paragraph (3.3) **PDO** shall be Exempt as described in paragraph 3.3 in relation to the following Regulated Activities:

- (i) **Generation of electricity;**
- (ii) **Distribution of electricity;**
- (iii) **Transmission of electricity** and;
- (iv) **Supply of electricity to Premises.**

Conditions

3.3 The conditions referred to paragraph (3.1) in this Article are that:

- (a) The Exemption referred to in paragraph (3.2) (i) above in relation to the **Generation of electricity**, applies:
 - (i) to the undertaking of that Regulated Activity by the Exemption Holder (and by no other Person);
 - (ii) at and using the Production Facilities referred to in Schedule (A), (and no other Production Facilities or Location);
 - (iii) up to but not exceeding, and only for so long as those Production Facilities have no more than, the capacities listed in Schedule (A); and
 - (iv) for the purposes listed in Schedule (A).

- (b) The Exemption in paragraph (3.2)(ii) above in relation to the **Distribution of electricity** applies:
 - (i) to the undertaking of that Regulated Activity by the Exemption Holder (and by no other Person);
 - (ii) at and using the Distribution Systems referred to in Schedule (A), and no other Distribution Systems without extension;
 - (iii) for the purposes listed in Schedule (A); and
 - (iv) provided that should the Exemption Holder's Distribution System(s) connect to the System of a Licensee, the Exemption Holder enters into a valid connection agreement with the relevant Licensee.

Moreover, that in accordance with the requirements of a connection agreement the Exemption Holder becomes a party to, and abides by, the terms of the Grid Code and the Distribution Code, insofar as applicable to it.

- (c) The Exemption in paragraph (3.2)(iii) above in relation to the **Transmission of electricity** applies:
- (i) to undertaking of that Regulated Activity by the Exemption Holder (and by no other Person);
 - (ii) at and using the Transmission System referred to in Schedule (A), and no other System;
 - (iii) for the purpose listed in Schedule (A);
 - (iv) the Exemption Holder enters into a valid connection agreement with the Oman Electricity Transmission Company SAOC; and
 - (v) the Exemption Holder becomes a party to, and abides by, the terms of the Grid Code, insofar as applicable to it;
- (d) The Exemption referred to in paragraph 3.2(iii) above in relation to the **Supply of electricity to Premises** applies:
- (i) to the undertaking of that Regulated Activity by the Exemption Holder (and by no other Person);
 - (ii) to electricity Supplied from the Systems referred to in paragraph 3.3(b) only and on the conditions referred to in those paragraphs; and
 - (iii) for the purposes of Supply to third parties listed in the attachment to the Exemption application form;
- (e) The Exemption Holder complies at all relevant times, in so far applicable to it, with all regulations, conditions, instructions, directives, and all other Regulatory changes and developments that may be issued by the Authority from time to time, including in relation to applicable tariffs and charges.
- (f) The Exemption Holder shall from time to time as and when required by the Authority, provide to the Authority all such information concerning:
- (i) the matters contemplated by the referred to in the foregoing paragraph; and
 - (ii) the Regulated Activities which are the subject of this Exemption, as may be required by the Authority.
- (g) The Exemption Holder affording Persons appointed by the Authority pursuant to Article (148) of the Sector Law, unrestricted access to all plant and equipment and Premises used for the purpose of the Regulated Activities listed in paragraph (3.2) above.

Duration

The Exemptions conferred by paragraph (3.2) in this Article shall last for a period of 15 years (renewable) from the Commencement Date, or until revoked by the provisions of the Sector Law or Article (5) of this Exemption Order.

ARTICLE (4) Exclusion from PWP Purchase Duty

- 4.1 The Production Capacity and Output of the Production Facilities referred to in Schedule (A) shall be exempt from the exclusive right and purchase duty of the PWP pursuant to Article (76) of the Sector Law, to the extent that such capacity and Output is:
- a) used for the purposes of Self Supply; or
 - b) for the Supply of electricity to the third parties as listed in the attachments to the Exemption application form.
- 4.2 From the date and in the manner specified by the Authority, the Exemption Holder shall have the right or duty to sell electricity Production Capacity and Output to PWP pursuant to Articles (5), (6) and (7) of this Exemption Order and/or in any other manner determined by OPWP and approved by the Authority.

ARTICLE (5) Preparation for Spot Market inception

- 5.1 In this Condition:

"Spot Market" means a market for the sale by persons Generating electricity of electricity to, and the purchase of that electricity by, the PWP to be established by arrangements approved by the Authority and being developed by the PWP under the supervision of the Authority;

"Spot Market Directions" means any directions of the Authority for the purposes of specifying Spot Market Preparations, including the time for performance of matters specified in the directions and including any revisions to such directions, as may be determined by the Authority from time to time and issued to the Exemption Holder;

"Spot Market Documents" means any market rules, agreements, procedures, methodologies, protocols, codes of practice or other

documents which the Authority or the PWP informs the Exemption Holder are to form part of the arrangements required to implement the Spot Market, including all drafts of such documents; and

"Spot Market Preparations" means all those activities specified from time to time by the Authority, including those specified in any Spot Market Implementation Plan and those listed in paragraph [3], which the Authority requires the Exemption Holder and other persons to undertake for the purpose of preparing for the inception of the Spot Market.

5.2 The Exemption Holder shall undertake such Spot Market Preparations as may be required by the Authority from time to time and shall comply with any Spot Market Directions. In doing so it shall take such steps as may be necessary to enable the timetable published by the Authority for inception of the Spot Market to be achieved.

5.3 Spot Market Preparations, whether or not the subject of Spot Market Directions, may include (without limitation):

- a) participation in any consultation exercise undertaken by the Authority and/or the PWP in relation to the Spot Market;
- b) reviewing the terms of any Spot Market Documents;
- c) taking such steps as may be necessary to ensure that from the time they come into effect, the Exemption Holder complies with:
 - (i) Spot Market Documents; and
 - (ii) Article (6) and Article (7) of this Exemption Order.
- d) the provision to Persons specified in Spot Market Documents of all such registration and other information as may be necessary for the purposes of Spot Market Documents;
- e) procurement and establishment of such computer and other systems as may be envisaged as being required by it by Spot Market Documents in such form as may be required to be compatible with any specifications of the PWP approved by the Authority;
- f) appointment and training of any personnel necessary to enable it to comply with Spot Market Documents and the provisions of this Exemption;

- g) the trialling, shadow running and testing of such computer and other systems and the procedures envisaged by Spot Market Documents as being operated by any other person and the integration of the Exemption Holder's systems and procedures with that other Person's systems and procedures;
- h) nomination of Exemption Holder representatives for the purposes of Spot Market Documents;
- i) execution of such Spot Market Documents as may be directed by the Authority;
- j) participation in any working groups established by the PWP or the Authority for the purpose of Spot Market implementation; and
- k) such additional activity as may be requested of it by the PWP and approved by the Authority.

5.4 Spot Market Directions may be issued to the Exemption Holder alone or to the Exemption Holder and others engaged in Spot Market Preparations. Without limiting the generality of paragraphs (2) or (3), they may include requirements for the time for completion of specified Spot Market Preparations, for the Exemption Holder to take or not take specified actions or requirements for the Exemption Holder to report to the Authority and/or the PWP on the progress of Spot Market Preparations.

ARTICLE (6) Compliance with Market Rules Document

- 6.1 The Exemption Holder shall on a date specified by the Authority become and remain a party to and shall comply with the provisions of the Market Rules Document.
- 6.2 The Authority may (following consultation with the Market Operator and the PWP) issue directions relieving the Exemption Holder of its obligation under paragraph (1) in respect of such parts of the Market Rules Document, and to such extent, as may be specified in those directions.
- 6.3 The Market Rules Document shall be a document (or suite of documents) approved and designated as such from time to time by the Authority pursuant to the PWP's Licence.

ARTICLE (7) Market Behaviour and making Offers on a Cost Reflective Basis

- 7.1 The Exemption Holder, in doing anything which it is required or permitted to do under the Market Rules Document, shall not engage in behaviour which:

- a) is likely to inhibit the proper operation of, or distort competition in, the Spot Market; or
- b) gives or is likely to give false or misleading information about the Production Facilities, including the availability or cost of operation of any part of the Production Facilities; or
- c) is intended to or is likely to result in prices or charges under the Market Rules Document being determined on an artificial basis or the artificial operation of the Pool.

7.2 The Exemption Holder shall comply with any Code of Bidding Practice issued by the Authority

7.3 The Exemption Holder shall not be in breach of paragraph (1) by reason of its complying with:

- a) any specific provision of a Code of Bidding Practice as provided in paragraph 2;
- b) any methodology approved by the Authority for the purposes of the Market Rules Document.

ARTICLE (8) Revocation and review

The Authority may review and, if it considers it appropriate and, subject to the Sector Law, revoke this Exemption at any time and from time to time should it feel that a change of circumstances has arisen such that it is in the public interest for it to do so. Without prejudice to the generality of the foregoing, the Authority may, in particular, review and modify or revoke this Exemption if any of the following circumstances arises:

- (a) Liberalisation is proposed pursuant to Article (32) of the Sector Law;
- (b) the Authority revokes any relevant Licence or Exemption;
- (c) one or more of the conditions referred to in this Exemption is not complied with by the Exemption Holder;
- (d) on a change of Control of the Exemption Holder which has not been approved in advance in writing by the Authority;
- (e) if it is found that the issue of this Exemption has been based on inaccurate or incorrect information provided by the Exemption Holder or any Affiliate of the Exemption Holder;
- (f) if the Exemption Holder seeks to Connect any System or Production Facility which is the subject of this Exemption Order, or if already Connected seeks a further connection, to the System of a Licensee;
- (g) if, after its System has become Connected to the System of a Licensee, the Exemption Holder suffers termination of its connection agreement with the relevant Licensee or fails to comply with the requirements of the Grid Code and/or the Distribution Code, insofar as applicable to it.

Mansoor bin Talib Al Hinai

Chairman of the Authority for Public Services Regulation

On behalf of the Authority for Public Services Regulation

01 November 2022

Schedule (A) Technical & Other Details

This Schedule contains details relating to the Regulated Activities:

1. Location

The location, layout and characteristics of the Production Facilities and Systems that are the subject of this Exemption Order as shown in Attachment (7) of the Exemption application form.

2. Technology & installed capacities

| Type of Generator | Number of Turbines | Capacity (Site de-rated) |
|---------------------------|--------------------|--------------------------|
| GTG FRAME 6FA | 5 units | 75.9 MW |
| GTG FRAME 6 | 14 units | 39.6 MW |
| FRAME 5 | 3 units | 26.3 MW |
| F9E | 7 units | 126.1MW |
| Total Generation Capacity | 29 units | 1.9 GW (ISO Rating) |

3. Primary fuel

All turbine generators are natural gas fuelled using fuel produced within the PDO concession area.

4. Purposes

- (1) The Production Facilities that are the subject of this Exemption Order:
 - (i) Provide electricity (up to a maximum of 1.9 GW) to PDO facilities the locations of which are detailed in the plans attached to the Exemption application form; and
 - (ii) Provide electricity to third parties listed in the attachment to the Exemption application form.
- (2) The Transmission System that is the subject of this Exemption Order transports electricity at voltages of 132kV between PDO System and the Nizwa 132kV substation in Dakhliya region and between PDO System and Harweel 132kV substation in Dhofar region.
- (3) The Distribution Systems that are the subject of this Exemption Order Distributes electricity generated at the Exemption Holder's Production Facilities to (i) PDO facilities and (ii) the third parties listed in the attachment to the Exemption application form.

Authority for Public Services Regulation

01 November 2022