

SULTANATE OF OMAN



هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN

Licence Exemption Order No. (1/2016)

GRANTED TO

BP Exploration (Epsilon) Limited - Oman

Commencement Date: 25 February 2016

Modification Date: 1 July 2018

CONTENTS

ARTICLE (1) Citation and Commencement	3
ARTICLE (2) Interpretation	3
Terms defined in Law	5
Paragraph references	5
ARTICLE (3) Exemption.....	6
General	6
Duration.....	7
ARTICLE (4) Exclusion from PWP Purchase Duty	8
ARTICLE (5) Termination and review	8
Schedule A: Technical & Other Details	10

Licence Exemption Order No. (1/2016)

The Authority for Electricity Regulation, Oman, is the Authority established pursuant to Article (19) of Royal Decree (78/2004) (the "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 Licence Exemption Order No. (1/2016) and shall come into effect on 25 February 2016.

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;

"Commencement Date"

means the grant date of this Licence Exemption Order;

"Controls"

means, in respect of a Person by another, that 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;

"Exemption"	means an Exemption granted pursuant to the Sector Law for the purposes of exempting a Person from the requirement to hold a Licence in relation to a Regulated Activity or from the requirement to comply with a particular condition or conditions of a Licence and Exempt, Exempted and Exemption Holder shall be construed accordingly;
"Licensee"	means a person granted a Licence by the Authority pursuant to the Sector Law, to undertake one or more of the Regulated Activities listed in Article (3) of the Sector Law;
"Person"	includes an individual, partnership, company, firm, trust, body corporate, government, government body, authority, emanation, agency, instrumentality, unincorporated body or an association;
"Premises"	means any land, building or structure occupied or used by a Person;
"The Authority"	means the Authority for Electricity Regulation, Oman established pursuant to Article (19) of the Sector Law;
"Regulated Activity"	means each of the activities listed in Article (3) of the Sector Law;
"Sector Law"	means Royal Decree (78/2004) governing the Regulation and Privatisation of the Electricity and Related Water Sector;

Terms defined in 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 **BP Exploration (Epsilon) Ltd - Oman** 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 3.5, 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 (25) of the Sector Law. Accordingly, for those periods, to that extent, for those purposes and subject to compliance with those conditions, **BP Exploration (Epsilon) Ltd - Oman** shall not be in breach of Article (4) of the Sector Law.
- 3.2 Subject to the Conditions listed in paragraph 3.3 **BP Exploration (Epsilon) Ltd - Oman** shall be Exempt as described in paragraph 3.3 in relation to the following Regulated Activities:
- 3.2.1 At Khazzan Project – Concession Area, Block 61:
- (i) The **Generation of electricity co-located with the Desalination of water in the same site**; and
 - (ii) The **Transmission of electricity**; and
 - (iii) The **Distribution of electricity**.

Conditions

- 3.3 The conditions referred to paragraph 3.1 in this Article are that:
- (a) The Exemption referred to in paragraph 3.2.1 (i) above in relation to **the Generation of electricity co-located with the Desalination of Water in the same site** 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 listed in Schedule A, and no other Production Facilities;
 - (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 purpose listed in Schedule A.

- (b) The Exemption in paragraph 3.2.1 (ii) 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 listed in Schedule A, and no other System; and
 - (iii) For the purpose listed in Schedule A.
- (c) The Exemption in paragraph 3.2.1 (iii) 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 listed in Schedule A, and no other System;
 - (iii) To these Systems without extension; and
 - (iv) For the purpose listed in schedule A.
- (d) The Exemption Holder complies at all relevant times with regulations issued by the Authority pursuant to Article (38) of the Sector Law, so far as applicable to it;
- (e) 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 regulations 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.
- 3.4 The Exemption Holder affording Persons appointed by the Authority pursuant to Article (148) of the Sector Law, unrestricted access to all plants and equipment and Premises used for the purpose of the Regulated Activities listed in paragraph 3.2.1 above.

Duration

- 3.5 The Exemptions conferred by paragraph 3.2 in this Article shall last for the following periods:
- (a) For the **Generation of electricity co-located with the Desalination of Water in the same site**: 15 years (renewable) from the

- Commencement Date, or until revoked by regulations issued by the Authority pursuant to Article (38) of the Sector Law;
- (b) For the **Transmission of electricity**: 15 years (renewable) from the Commencement Date, or until revoked by regulations issued by the Authority pursuant to article (38) of the Sector Law; and
 - (c) For the **Distribution of electricity**: 15 years from the Commencement Date, or until revoked by regulations issued by the Authority pursuant to Article (38) of the Sector Law.

ARTICLE (4) Exclusion from PWP Purchase Duty

4.1 The Production Capacity and Output of the Production Facilities listed in Annexure C shall be exempted 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.

ARTICLE (5) Termination and review

The Authority may review and, if it considers appropriate and, subject to the Sector Law, terminate or modify 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 terminate 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.

Executive Director & Member

On behalf of the Authority for Electricity Regulation, Oman

1 July 2018

Schedule A: Technical & Other Details

This Schedule will contain the following details relating to the Regulated Activities:

- 1- **Generation of electricity co-located with the Desalination of Water in the same site;**
- 2- **Transmission of electricity;** and
- 3- **Distribution of electricity.**

Location

The location, layout and characteristics of the Production Facilities and System that are subject to this Licence Exemption Order No. (1/2016) are shown in the attachments of Annexure C of the Licence Exemption Application.

Technology & installed capacities

Khazzan Project - (Concession area, Block 61)

Type of Generator	No. of Generators	Capacity (aggregated)
Gas Turbine Generators	5	60 MW
Standby and temporary Diesel Generators	15	19.5 MW
Type of Desalination unit	No. of Units	Capacity
Reverse Osmosis (RO) membranes	1	6000 m ³ /day

Primary fuel

The Gas Turbine Generators at the Central Process Facility (CPF) are fueled by Natural Gas and the standby and temporary Generators are fueled by Diesel through diesel tanks which are present in the Central Process Facility. The Natural Gas is produced from the production wells and is conditioned to the correct pressure & temperature.

Purposes

- (1) The Production Facilities that are the subject of this Licence Exemption Order No. (1/2016) will:
- a. Provide Electricity (up to 60 MW) and Desalinated water (up to 6000m³/day) to the Concession area, Block 61 of Khazzan Project. The location of which is detailed in the maps included in Annexure C of the Licence Exemption application form;
 - b. The Transmission line (voltage level of 132 kV overhead line connected from Mussalim Substation - PDO) that is the subject of this Licence Exemption Order No. (1/2016) will transmit:
 - i. Back-up electricity during the commissioning stage to Khazzan substation – Block 61;
 - ii. Excess electricity to PDO System free of charge¹.
 - c. Distribute electricity Generated to the Central Process Facility, Khazzan Office Base, Khazzan Residential Camps, Khazzan Contractors Camps and the Water Treatment Plant (the RO Plant and its production wells) as detailed in Appendix A of the Licence Exemption Application form for the duration stipulated in Condition 3.5 (a).
 - d. The Emergency and Temporary Diesel Generators which are located in the Central Process Facility (CPF), Khazzan Residential Camps (KRC), Khazzan Operation Base (KOB), Khazzan Consolidated Camp (KCC) and Water Treatment Plant are to provide emergency power in the locations detailed in the plot plan included in the Application form.

Authority for Electricity Regulation, Oman

1 July 2018

¹ Transmission will be occasionally as per Exemption Holder letter (Ref. MEOM-00-EV-028)